

NDPERS BOARD MEETING

Agenda

Bismarck Location:
ND Association of Counties
1661 Capitol Way
Fargo Location:
BCBS, 4510 13th Ave SW

August 16, 2007

Time: 8:30 AM

I. MINUTES

A. July 19, 2007

II. RETIREMENT

- A. COLA's – Sparb (Board Action)
- B. Highway Patrol Indexing – Kathy (Board Action)
- C. Public Safety Officers Pretaxing – Kathy/Sharmain (Information)
- D. Deferred Normal Retirement Option – Aaron (Information)

III. GROUP INSURANCE

- A. BCBS Efforts – Sparb – (Board Action)
- B. SPD Rate Request – Sparb (Board Action)
- C. Drug Formulary Education – BCBS (Information)
- D. EPO Open Enrollment Update – Kathy (Information)
- E. Surplus/Affordability Update – Bryan (Information)
- F. Employee Assistance Program Update – Bryan (Information)
- G. Health Report 2006 – Bryan (Information)
- H. GASB – Sharon (Board Action)

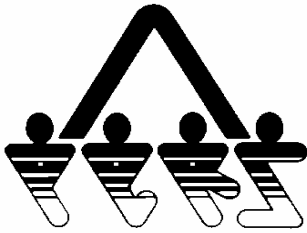
IV. LASR

- A. Monthly Update – Deb (Information)
- B. Weschler Project Overview and Contract – Sparb & Deb (Board Action)

V. MISCELLANEOUS

- A. Administrative Rules – Deb (Information)
- B. Mainframe Migration – Sparb and Ron (Information)
- C. Board Planning Meeting – Sparb
- D. Legislative Employee Benefits Programs Committee – Sparb (Information)
- E. SIB Agenda

Any individual requiring an auxiliary aid or service must contact the NDPERS ADA Coordinator at 328-3900, at least 5 business days before the scheduled meeting.



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 9, 2007
SUBJECT: Cost of Living Adjustment

At the June meeting it was suggested that we add to the work plan for this year a review of cost of living adjustment (COLA) for retirement plans. I am suggesting the following approach for your consideration:

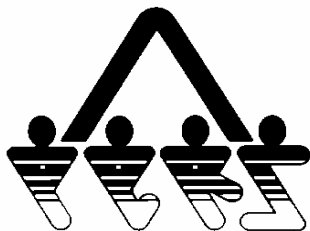
September meeting: Staff would prepare and review the types of cost of living provisions in other statewide public sector plans, the history and procedures used by NDPERS for cost of living adjustments and the implications of not having such adjustments.

October meeting: When the Segal actuaries are here to review the valuations for 2006, I could ask them to also give a presentation on cost of living adjustments and their implications for retirement plans.

You will also note that agenda item V.C is a suggestion for another PERS Board planning meeting similar to the one we did two years ago. If we do decide to move forward with that planning meeting, we could then discuss what our next steps, if any, should be relating to cost of living adjustments based upon the information we get at the September and October meetings.

Board Action Requested

To approve or modify the above action plan for COLA'S.



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Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: August 8, 2007

SUBJECT: Final Average Salary Indexing for Highway Patrol

North Dakota Century Code 39-03.1-11(5) provides:

"...The final average salary used for calculating a deferred vested retirement benefit must be increased annually from the later of the date of termination of employment or July 1, 1991, until the date the contributor begins to receive retirement benefits from the fund, at a rate as determined by the Board not to exceed a rate that would be approximately equal to annual salary increases provided state employees pursuant to action by the legislative assembly."

As indicated above, it is necessary for the NDPERS Board to determine the rate to be used in establishing the index factor for deferred members of the highway patrol. It has been PERS policy to solicit input and a recommendation from the Highway Patrol leadership.

During the last session, the sixtieth assembly increased each agencies budget by 4% for the first year of the 2007-09 biennium. Employees are to receive a minimum monthly increase of \$75 effective July 1, 2007 to be paid August 1, 2007. The North Dakota Highway Patrol leadership is recommending that deferred members in its system have their final average salary indexed by four percent. Included for your information is the Highway Patrol's recommendation.

For your convenience, listed below are the legislative increases granted, as well as the increase percentages set for indexing purposes by the Board since 1993 when it first became necessary to establish a factor.

	Legislative Increase %	Board Approved Index %
1993	3.00	3.57
1994	2.00	3.00
1995	2.00	2.00
1996	2.00+ 1.00 discretionary	2.00
1997	Average 3.00	3.00
1998	Average 3.00	1.80
1999	2.00 (min \$35)	1.26
2000	2.00 (min \$35)	2.00
2001	3.00 (min \$35)	1.81
2002	3.00 (min \$35)	1.73
2003	None authorized	-0-
2004	None authorized	-0-
2005	4.00	4.00
2006	4.00	4.00

As illustrated above, the Board has generally set a percentage that is the same or slightly lower than the salary increases granted to state employees.

Board Action Requested:

Accept or reject the Highway Patrol's recommendation.



North Dakota Highway Patrol



Colonel Bryan Klipfel, Superintendent
State Capitol, 600 E Boulevard Ave. Dept. 504
Bismarck, ND 58505-0240
Telephone: 701-328-2455

John Hoeven
Governor
State of North Dakota

July 18, 2007

Ms. Kathy Allen
North Dakota Public Employees Retirement System
P.O. Box 1657
Bismarck, ND 58502-1657

Dear Kathy:

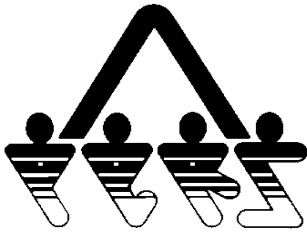
We recommend that the members of the North Dakota Highway Patrol Retirement System who participate in the Deferred Vested Benefit provision should have their final average salary indexed by four percent.

Sincerely,

A handwritten signature in black ink, appearing to read "Neil A. Johnson".

NEIL A. JOHNSON
Major, NDHP
Administrative Services Commander

naj/blc



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Memorandum

TO: NDPERS Board

FROM: Kathy & Sharmain

DATE: August 8, 2007

**SUBJECT: Public Safety Officers
Tax-Free Distributions for Health Premiums**

The Pension Protection Act of 2006 (PPA '06) permits eligible retired public safety officers to transmit up to \$3,000 of their benefits from certain governmental retirement plans each year, tax free, to cover their qualified health insurance premiums if they retire at normal retirement age or due to disability.

We referred this issue to The Segal Company for review and recommendation. Segal provided the following conclusions:

1. It is the responsibility of the retired officer to claim the premium payments that were subtracted from their pension as a reduction in taxable income on their Form 1040 up to the eligible amount of \$3,000 per year.
2. There is no special requirement that the employer provide this reporting on Form 1099-R. This conclusion is supported by the 2007 instructions to the Form 1099-R, which state:

"...there is no special reporting for ... payments of qualified health and long-term care insurance premiums for retired public safety officers. Recipients of these distributions claim the associated tax benefits on their own income tax returns. However, trustees and insurers may use Distribution Code 2 to indicate an exception to the additional tax on early distributions for payments of qualified health and long-term care insurance premiums for retired public safety officers. ..."

Based on the above, staff will be responsible for communicating and educating our membership to retain the information they are already provided through check statements or quarterly statements and report this information on Form 1040.

Staff recommends that we proceed with developing the necessary communication materials for dissemination to the membership on or before December 1, 2007.

There are several other PPA provisions which are currently under study by staff and we will report our findings and recommendations to the Board as we determine the applicability implications of these regulations to PERS.

Board Action Requested

Accept staff's recommendation to educate membership about the PPA provision and the procedures required to claim the tax free distribution.



Wayne Stenehjem
ATTORNEY GENERAL

STATE OF NORTH DAKOTA
OFFICE OF ATTORNEY GENERAL

STATE CAPITOL
600 E BOULEVARD AVE DEPT 125
BISMARCK, ND 58505-0040
(701) 328-2210 FAX (701) 328-2226
www.ag.state.nd.us

August 9, 2007

Public Employees Retirement System

Dear Board Members,

During the last meeting, I was asked to determine whether the board would have the power to pay an interest accrual on the back payment of benefits to a retiree filing application after reaching normal retirement age. I have reviewed this issue and have the following comments.

The power to make these back payments is found under N.D.C.C. § 54-52-17(5), providing in part:

Members who have delayed or inadvertently failed to apply for retirement benefits to commence on their normal retirement date may choose to receive either a lump sum payment equal to the amount of the missed payments, or an actuarial increase to the form of benefit the member has selected, which increase must reflect the missed payments.

Absent authority granted by the Legislature, the PERS board does not have the power to make payment of retirement system funds. This means that in order for the board to have the authority to make payment of interest on these back payments, there must be an express legislative authorization. Since the above referenced statute does not authorize the payment of interest accrued on back payments, the PERS board does not have the authority to make these types of payments. If it is the board's wish to make these types of payments, they should introduce legislation aimed at accomplishing this purpose.

An example of the legislature granting authority to make payment of funds in addition to the set retirement payment can be found in the Highway Patrolmen's Retirement System. According to N.D.C.C. § 39-03.1-11, final average salary used in calculating deferred vested retirement benefits are indexed annually from the date of termination until the time the contributor begins to receive retirement benefits. Although this situation is not identical to the situation at hand, it shows how the Legislature may statutorily authorize payments higher than the amount of the set payment in place at the time of termination.

Under the current administrative rules, it is clear that interest is not included in the back payment of benefits. North Dakota Administrative Code § 71-02-04-03.1 provides in part:

...for members who are terminated and older than the age at which they reach their normal retirement date, but who have delayed or inadvertently failed to apply for retirement benefits, the regular accrued annuity benefits will commence with a lump sum equal to the amount of missed payments, without interest, retroactive to their normal retirement date unless otherwise approved by the North Dakota public employees retirement system board.

Again, since the statute (N.D.C.C. § 54-52-17(5)) does not authorize the payment of interest on these payments, the board is without authority to make payment of these additional funds, this includes amending administrative rules to accomplish this purpose.

There are also various policy issues in play for this type of issue. If PERS had a policy of paying interest on back payments of this type, it could potentially make PERS an investment vehicle for persons choosing not to withdraw retirement funds at their retirement dates. This could be seen as an additional benefit to PERS members, not contemplated by the statutes. In addition, there may be tax consequences involved with this type of policy.

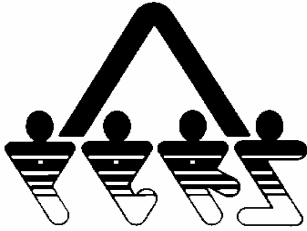
If there are any other questions, please feel free to contact me anytime.

Sincerely,

A handwritten signature in black ink, appearing to read "Aaron Webb", written in a cursive style.

Aaron K. Webb
Assistant Attorney General

vkk



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Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
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Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 9, 2007
SUBJECT: BCBS Efforts

With this renewal we are proposing to add several attachments that outline the understanding between BCBS and PERS relating to:

- Tobacco Cessation
- Wellness Benefit Program
- Wellness Pilot Project
- Case Management Service Agreement

In addition, we are also working on one for the Rx agreement. These are work efforts that BCBS is performing for us but are not explicitly addressed in our agreement.

Attached for your review is the first draft. Staff is reviewing these agreements as well. Our goal is to provide a final copy for your approval at the September meeting. We are providing them to you at this time so we can solicit your thoughts and to insure that you would like to add these types of attachments to our agreement.

Board Action Requested

Approve or disapprove developing the above attachments to the BCBS contract.

EXHIBIT “B”

Additional Health Service Programs North Dakota Public Employees Retirement System

THIS “EXHIBIT B” – ADDITIONAL HEALTH SERVICE PROGRAMS (“Exhibit B”), is appended to the Administrative Services Agreement dated _____, 2007, between the North Dakota Employee Retirement System (NDPERS) and Blue Cross Blue Shield of North Dakota (BCBSND).

This Exhibit B consists of an agreement by and between NDPERS and BCXBSND to administer certain additional health care services and programs in conjunction with the NDPERS health plan that is the subject of the referenced Administrative Services Agreement between the parties. The additional health care services and programs comprising this Exhibit B reflect separate programs administered by BCBSND at the behest of NDPERS and subject to the terms of each service or program. These additional services and programs are attached hereto and referenced as:

“Attachment A” – NDPERS Tobacco Cessation Agreement.

“Attachment B” – NDPERS Wellness Benefit Program.

“Attachment C” – University of North Dakota Wellness Center Program.

“Attachment D” – Care Management Services Agreement.

This Exhibit B is comprised of these separate and distinct health care service programs, and is subject to amendment and termination based on each biennium and funding available to NDPERS to support and sponsor such programs.

None of the health care service programs represented through this Exhibit B are included in the health benefit plan that is the subject of the Administrative Services Agreement, nor are any of the attached programs to be considered in the reconciliation and final accounting formula utilized in Article 7 of the Administrative Services Program to which this Exhibit B is appended.

ATTACHMENT A

SMOKING CESSATION PROGRAM AGREEMENT

THIS SMOKING CESSATION PROGRAM AGREEMENT (SCP Agreement), is entered into this ____ day of _____, 2007, by and between the North Dakota Public Employees Retirement System (NDPERS), a public agency created under North Dakota state law, and Blue Cross Blue Shield of North Dakota (BCBSND), a North Dakota nonprofit mutual insurance company, located at 4510 13th Avenue South, Fargo, North Dakota.

RECITATIONS:

WHEREAS, the state of North Dakota, acting through the Department of Health, has received an appropriation from the state legislature in the amount of \$130,000 for the purpose of funding employee tobacco education and cessation programs for state employees; and

WHEREAS, as it relates to this appropriation, the Department of Health has determined that NDPERS is to sponsor this smoking cessation program based on its responsibilities related to the management of the group health plan and the program objectives for monitoring and containing health care; and

WHEREAS, because BCBSND is contracted with NDPERS to provide health care benefits to NDPERS Members (as defined by the Administrative Services Agreement between NDPERS and BCBSND) (ASA Agreement), NDPERS has determined that BCBSND is to act as the administrator of the smoking cessation program.

NOW, WHEREFORE, in recognition of the mutual promises herein contained and for other good and valuable consideration hereby acknowledged by the parties hereto, NDPERS and BCBSND agree to the following.

I. RECOGNIZING THE UND WELLNESS PROGRAM.

BCBSND acknowledges and agrees that it has reviewed the smoking cessation program contained in the [ADD NAME OF SMOKING CESSATION PROPOSAL BETWEEN PARTIES] and that the program as outlined in this [PROPOSAL] provides services consistent with the wellness initiative reflected in the Administrative Services Agreement between BCBSND and NDPERS.

II. TERM.

This SCP Agreement shall begin on July 1, 2007, and shall extend to June 30, 2009.

III. SCOPE OF PROGRAM.

The smoking cessation program as outlined in this SCP Agreement shall be made available to state employees and their eligible family members that are at least 18 years of age. An estimate of the total number of eligible employees and family members and those anticipated will participate are outlined in the [PROPOSAL].

IV. BENEFITS AVAILABLE.

Smoking Cessation Benefits pursuant to this SCP Agreement are as follows:

- \$200.00 per Member/per Benefit Period for counseling services.
- \$500.00 per Member/per Benefit Period for office visit, prescription drugs and over-the-counter drugs prescribed for tobacco cessation.
- \$700.00 is the total amount of expenses available per Member/per Benefit Period under the program.

Each participant is eligible to participate in the smoking cessation program for a maximum benefit of \$700.00 for each 6-month period under the term of this SCP Agreement.

All funds shall be billed by and paid directly to BCBSND. NDPERS will not charge any fees to the smoking cessation program nor will it administer any funds for the program.

BCBSND shall reimburse providers monthly based on the paper billings submitted by those providers participating in the program. BCBSND will then submit the total claims received for reimbursement to the Department of Health on a monthly basis. The final invoice for services shall be submitted to the Department of Health no later than July 15, 2009. Funds shall be allocated on a first come first serve basis until all available funds are exhausted. Reimbursement shall be made to BCBSND on a monthly basis based on actual costs accrued by local providers participating in the smoking cessation program for services provided to eligible state employees and family members plus the administrative fee paid to BCBSND up to a total maximum amount of \$130,000.00.

A Member is eligible to participate in the smoking cessation program during each of four separate benefit periods as follows:

07/01/2007 through 12/31/2007
 01/01/2008 through 06/30/2008
 07/01/2008 through 12/31/2008
 01/01/2009 through 06/30/2009

The smoking cessation program shall provide a combination of counseling to include initial assessment, physician office visit, nicotine replacement therapy, and prescription medication, if indicated, and follow-up support counseling as necessary by individual, group or telephone. Follow-up support must be conducted at 3-, 6-, 9- and 12-month intervals after the Member's "quit date." Local cessation programs will be strongly encouraged to develop incentives to complete counseling.

Re-treatment shall be made available within 6 months and will be the responsibility of the counseling program with reimbursement available on the same basis as during any initial treatment phase.

V. PROVIDERS PARTICIPATING IN THE SMOKING CESSATION PROGRAM.

BCBSND is required to contact with providers interested in providing smoking cessation services pursuant to the program outlined in this SCP Agreement. Providers of health care services under the smoking cessation program shall participate in the program pursuant to a contract as established between BCBSND and each provider.

Providers participating in the smoking cessation program shall be responsible for providing the following to BCBSND.

- Reporting admission and follow-up to BCBSND as well as medication recommendations and prescriptions.
- Reporting the number of counseling sessions and whether the sessions are group or individual.
- Reporting outgoing telephone call results as well as any telephone counseling sessions.
- Arrange for the physician office visit, if necessary, and collect receipts.
- Reporting prescriptions and receipts collected.
- Producing and submitting a monthly paper roster bill to BCBSND.
- Submitting encounter and follow-up data monthly to BCBSND.
- Verifying participant eligibility through BCBSND.
- Disburse reimbursement funds for nicotine replacement therapy, prescription drugs and physician visits based on receipts from the Member.

VI. FEES.

As a result of the responsibilities assigned to BCBSND under the terms of the [PROPOSAL] and this SCP Agreement, BCBSND shall be paid an administrative fee for administering the smoking cessation program that shall be equal to ten percent (10%) of claims paid to providers to pay costs incurred by BCBSND as program administrator and granting entity. For example, if total claims submitted by the providers are \$60,000.00, BCBSND will add a 10% administration fee for a total of \$6,000.00. This administration fee shall not include any amounts payable to BCBSND for preparing promotional materials supporting the smoking cessation program as set forth in this SCP Agreement.

VII. REPORTING.

BCBSND agrees to provide the following reports:

- Track each patient receiving therapy and level of therapy.
- Develop a database to track the program and have the database format available to counseling programs for tracking.
- Report quit rates by counseling program at 3, 6, 9 and 12 months.
- Report every six months to the NDPERS and Department of Health program results and participation rates.

VIII. PROMOTION.

BCBSND shall develop and implement a plan to promote the smoking cessation services including but not limited to agency notes, paycheck stuffers, e-mail notices, posters, and notices to home addresses to be distributed at periodic intervals throughout the term of this SCP Agreement. The proposed promotion schedule for the term of this SCP Agreement is set forth in detail in the [PROPOSAL]. BCBSND shall be reimbursed \$20,000 for the costs of these promotional activities.

IV. OTHER TERMS AND CONDITIONS.

The parties to this SCP Agreement acknowledge, understand and agree that the terms of the [PROPOSAL] in place between the Department of Health, NDPERS and BCBSND, including but not limited to terms that specifically relate to the administration, cancellation, termination and payment terms, are hereby incorporated into this SCP Agreement and applicable to this SCP Agreement related to the smoking cessation program as if fully incorporated herein.

V. GENERAL PROVISIONS.

The following general conditions, covenants and obligations apply equally to both NDPERS and BCBSND under the terms of this SCP Agreement.

Time is of the Essence. Time is of the essence of each provision of this entire SCP Agreement and all of its terms and conditions.

Notice. Any notice required or permitted under the terms of this SCP Agreement shall, in all cases, be construed under the notice provision in the Health Dialogue Agreement.

Assignment. No party may assign this SCP Agreement, or any of the obligations or duties mandated under the terms of this SCP Agreement, without the prior written consent of the other parties hereto.

Waiver. No delay or omission by any party to exercise any right or power under the terms of this SCP Agreement shall preclude the exercise of such right or power in subsequent instances or be construed to be a waiver thereof. A waiver by any party hereto of any of the covenants to be performed by any other party shall not be construed to be a waiver of any covenant herein contained, and the waiver of any breach of covenant shall not be construed to be a waiver of any succeeding breach thereof.

Entire Agreement. To the extent this SCP Agreement affects the ASA Agreement between NDPERS and BCBSND, this SCP Agreement shall constitute the entire agreement between the parties, and any prior understandings or representations of any kind preceding the date of this SCP Agreement shall not be binding upon either party except to the extent expressly set forth in this SCP Agreement. In any case, the administration of any services under the terms of this SCP Agreement shall not be considered in the final accounting and reconciliation of the NDPERS health plan as administered by BCBSND pursuant to Article 7 of the Administrative Service Agreement between the parties.

Modification. Any modification of this SCP Agreement or additional obligations assumed by any party in connection with this SCP Agreement shall be binding only if evidenced in writing and signed by each party or an authorized representative of each party hereto.

Counterparts. This SCP Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Recitals and Paragraph Headings. The recitals to this SCP Agreement are deemed to be an expression of the intent of the parties hereto, and to the extent the recitals create any duties for or obligations on the parties to this SCP Agreement, such recitals are deemed to be a part of the SCP Agreement. The titles to the paragraphs of this SCP Agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify or aid in the interpretation of this SCP Agreement.

Binding Effect. This SCP Agreement is binding on the parties hereto, and to their successors and assigns, including any parent or subsidiary corporation.

IN WITNESS WHEREOF, the parties hereto by their duly authorized representatives have executed this SCP Agreement as of the date first written above.

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (NDPERS)
PO Box 1657
Bismarck, ND 55416

BLUE CROSS BLUE SHIELD OF NORTH
DAKOTA (BCBSND)
4510 13th Avenue South
Fargo, ND 58121-0001

Name Date

Michael B. Unhjem Date

Title

President and CEO

ATTACHMENT B

NDPERS WELLNESS BENEFIT PROGRAM AGREEMENT

THIS NDPERS WELLNESS BENEFIT PROGRAM AGREEMENT (Wellness Agreement), is entered into this ____ day of _____, 2007, by and between the North Dakota Public Employees Retirement System (NDPERS), a public agency created under North Dakota state law, and Blue Cross Blue Shield of North Dakota (BCBSND), a North Dakota nonprofit mutual insurance company, located at 4510 13th Avenue South, Fargo, North Dakota.

RECITATIONS:

WHEREAS, the state of North Dakota, acting through NDPERS, and BCBSND, in an effort to create healthier lifestyles for NDPERS Members (as defined by the Administrative Services Agreement between the parties) (ASA Agreement) and to help contain health care costs desire to promote, support and sponsor health and wellness initiatives; and

WHEREAS, pursuant to this Wellness Agreement, NDPERS and BCBSND have agreed to establish a Wellness Benefit Program related to health and wellness promotion for NDPERS Members subject to this Wellness Agreement; and

WHEREAS, the Wellness Benefit Program created through this Wellness Agreement between UND and NDPERS anticipates there will be costs and fees associated with supporting such health and wellness programs provided to NDPERS Members and to be administered through this agreement with BCBSND.

NOW, WHEREFORE, in recognition of the mutual promises herein contained and for other good and valuable consideration hereby acknowledged by the parties hereto, NDPERS and BCBSND agree to the following.

I. TERM.

The Wellness Benefit Program shall be effective from July 1, 2007 through June 30, 2009.

II. FEES.

NDPERS has approximately 51,000 lives [?] and this Wellness Agreement requires that a fee be imposed in the amount of **[ADD FEE AMOUNT]** per member per month which monies shall be deposited into a separate account in support of the Wellness Benefit Program. Interest will not be paid on this account.

NDPERS agrees to pay this Wellness Agreement fee to BCBSND, on or before the last day of each month, as a part of the premium payment established in the ASA Agreement in place between the parties.

IV. OTHER TERMS AND CONDITIONS.

Applications for approval in the Wellness Benefit Program shall be submitted to the Bismarck NDPERS office to the attention of the Wellness Benefit Program Manager by each agency interested in establishing such a program.

A Wellness Committee shall be established to review any such applications submitted. The Wellness Committee shall be comprised of: one (1) NDPERS staff member, one (1) NDPERS board member and one (1) BCBSND staff member. Upon appointment, the Wellness Committee shall establish criteria to ensure a uniform basis upon which it may grant or deny each agency application. Wellness benefits or healthy lifestyle programs, such as smoking cessation, nutrition, exercise, stress management, weight control, wellness education and the number of people affected by each program will be taken into consideration and shall be part of the criteria established by the Wellness Committee.

The applying agency will be notified by the Wellness Committee within thirty (30) days of application of the approval or denial of the proposed program.

Funds may either be distributed directly to the applying agency or, preferably, paid directly to the vendor providing said service or facilitating said Wellness Benefit Program.

All funds distributed shall be for Wellness Benefit Programs completed within the current 2007-2009 biennium budget.

Funds are available for agency group activities only and will not be available to specific individuals or to fund specific individual memberships in diet programs or health, athletic or fitness clubs.

Applying agencies that receive funds for a Wellness Benefit Program are required to submit to the Wellness Committee an evaluation of the sponsored program after its completion. The Wellness Committee will communicate an outline of the program funded and an evaluation of said program to all state agencies and encourage participation in those programs showing positive results in wellness and healthy lifestyle habits.

V. GENERAL PROVISIONS.

The following general conditions, covenants and obligations apply equally to both NDPERS and BCBSND under the terms of this Wellness Agreement.

Time is of the Essence. Time is of the essence of each provision of this entire Wellness Agreement and all of its terms and conditions.

Notice. Any notice required or permitted under the terms of this Wellness Agreement shall, in all cases, be construed under the notice provision in the Health Dialogue Agreement.

Assignment. No party may assign this Wellness Agreement, or any of the obligations or duties mandated under the terms of this Wellness Agreement, without the prior written consent of the other parties hereto.

Waiver. No delay or omission by any party to exercise any right or power under the terms of this Wellness Agreement shall preclude the exercise of such right or power in subsequent instances or be construed to be a waiver thereof. A waiver by any party hereto of any of the covenants to be performed by any other party shall not be construed to be a waiver of any covenant herein contained, and the waiver of any breach of covenant shall not be construed to be a waiver of any succeeding breach thereof.

Entire Agreement. To the extent this Wellness Agreement affects the ASA Agreement between NDPERS and BCBSND, this Wellness Agreement shall constitute the entire agreement between the parties, and any prior understandings or representations of any kind preceding the date of this Wellness Agreement shall not be binding upon either party except to the extent expressly set forth in this Wellness Agreement. In any case, the administration of any services under the terms of this Wellness Agreement shall not be considered in the final accounting and reconciliation of the NDPERS health plan as administered by BCBDND pursuant to Article 7 of the Administrative Service Agreement between the parties.

Modification. Any modification of this Wellness Agreement or additional obligations assumed by any party in connection with this Wellness Agreement shall be binding only if evidenced in writing and signed by each party or an authorized representative of each party hereto.

Counterparts. This Wellness Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Recitals and Paragraph Headings. The recitals to this Wellness Agreement are deemed to be an expression of the intent of the parties hereto, and to the extent the recitals create any duties for or obligations on the parties to this Wellness Agreement, such recitals are deemed to be a part of the Wellness Agreement. The titles to the paragraphs of this Wellness Agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify or aid in the interpretation of this Wellness Agreement.

Binding Effect. This Wellness Agreement is binding on the parties hereto, and to their successors and assigns, including any parent or subsidiary corporation.

IN WITNESS WHEREOF, the parties hereto by their duly authorized representatives have executed this Wellness Agreement as of the date first written above.

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (NDPERS)
PO Box 1657
Bismarck, ND 55416

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DAKOTA (BCBSND)
4510 13th Avenue South
Fargo, ND 58121-0001

Name Date

Michael B. Unhjem Date

Title

President and CEO

ATTACHMENT C

UNIVERSITY OF NORTH DAKOTA (UND) WELLNESS CENTER PROGRAM AGREEMENT

THIS UNIVERSITY OF NORTH DAKOTA WELLNESS CENTER PROGRAM AGREEMENT (UND Agreement), is entered into this ____ day of _____, 2007, by and between the North Dakota Public Employees Retirement System (NDPERS), a public agency created under North Dakota state law, and Blue Cross Blue Shield of North Dakota (BCBSND), a North Dakota nonprofit mutual insurance company, located at 4510 13th Avenue South, Fargo, North Dakota.

RECITATIONS:

WHEREAS, the state of North Dakota, acting through NDPERS, has entered into an agreement (Interagency Agreement) with the University of North Dakota School of Medicine & Health Sciences Center for Health Promotion (UND) dated June 9, 2005, to offer to certain NDPERS Members (as defined by the Administrative Services Agreement between the parties) (ASA Agreement) certain employee health promotion and wellness programs at various worksites in and around the state of North Dakota; and

WHEREAS, pursuant to this UND Agreement, BCBSND has agreed to assist in providing certain administrative services related to the health promotion and wellness program subject to the Interagency Agreement; and

WHEREAS, the Interagency Agreement between UND and NDPERS reflects a fee for the services UND is providing to NDPERS Members to be administered through an arrangement with BCBSND.

NOW, WHEREFORE, in recognition of the mutual promises herein contained and for other good and valuable consideration hereby acknowledged by the parties hereto, NDPERS and BCBSND agree to the following.

I. RECOGNIZING THE UND WELLNESS PROGRAM.

BCBSND acknowledges and agrees that it has reviewed the health promotion and wellness initiative program contained in the Interagency Agreement and that the program outlined in the Interagency Agreement provides services consistent with the wellness initiative reflected in the Administrative Services Agreement between BCBSND and NDPERS.

II. FEES.

BCBSND agrees that monies made available for wellness services pursuant to the ASA Agreement in place between NDPERS and BCBSND are appropriate for the costs of services anticipated in the Interagency Agreement, and that BCBSND will pay these costs as appropriate as directed by NDPERS pursuant to this Interagency Agreement up to the amount reflected and made available through the Interagency Agreement.

IV. OTHER TERMS AND CONDITIONS.

NDPERS acknowledges, understands and agrees that the terms of the Health Dialogue Agreement and NDPERS Work Order IN PLACE BETWEEN Health Dialog and BCBSND, including but not limited

to terms that specifically relate to the administration, cancellation, termination and payment terms, are hereby incorporated into this DMS Agreement and applicable to this DMS Agreement related to the Disease Management Program as if fully incorporated herein.

V. GENERAL PROVISIONS.

The following general conditions, covenants and obligations apply equally to both NDPERS and BCBSND under the terms of this UND Agreement.

Time is of the Essence. Time is of the essence of each provision of this entire UND Agreement and all of its terms and conditions.

Notice. Any notice required or permitted under the terms of this UND Agreement shall, in all cases, be construed under the notice provision in the Health Dialogue Agreement.

Assignment. No party may assign this UND Agreement, or any of the obligations or duties mandated under the terms of this UND Agreement, without the prior written consent of the other parties hereto.

Waiver. No delay or omission by any party to exercise any right or power under the terms of this UND Agreement shall preclude the exercise of such right or power in subsequent instances or be construed to be a waiver thereof. A waiver by any party hereto of any of the covenants to be performed by any other party shall not be construed to be a waiver of any covenant herein contained, and the waiver of any breach of covenant shall not be construed to be a waiver of any succeeding breach thereof.

Entire Agreement. To the extent this UND Agreement affects the ASA Agreement between NDPERS and BCBSND, this UND Agreement shall constitute the entire agreement between the parties, and any prior understandings or representations of any kind preceding the date of this UND Agreement shall not be binding upon either party except to the extent expressly set forth in this UND Agreement. In any case, the administration of any services under the terms of this UND Agreement shall not be considered in the final accounting and reconciliation of the NDPERS health plan as administered by BCBSND pursuant to Article 7 of the Administrative Service Agreement between the parties.

Modification. Any modification of this UND Agreement or additional obligations assumed by any party in connection with this UND Agreement shall be binding only if evidenced in writing and signed by each party or an authorized representative of each party hereto.

Counterparts. This UND Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Recitals and Paragraph Headings. The recitals to this UND Agreement are deemed to be an expression of the intent of the parties hereto, and to the extent the recitals create any duties for or obligations on the parties to this UND Agreement, such recitals are deemed to be a part of the UND Agreement. The titles to the paragraphs of this UND Agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify or aid in the interpretation of this UND Agreement.

Binding Effect. This UND Agreement is binding on the parties hereto, and to their successors and assigns, including any parent or subsidiary corporation.

IN WITNESS WHEREOF, the parties hereto by their duly authorized representatives have executed this UND Agreement as of the date first written above.

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (NDPERS)
PO Box 1657
Bismarck, ND 55416

BLUE CROSS BLUE SHIELD OF NORTH
DAKOTA (BCBSND)
4510 13th Avenue South
Fargo, ND 58121-0001

Name Date

Michael B. Unhjem Date

Title

President and CEO

ATTACHMENT D

DISEASE MANAGEMENT SERVICES AGREEMENT

THIS DISEASE MANAGEMENT SERVICES AGREEMENT (DMS Agreement), is entered into this ____ day of _____, 2007, by and between the North Dakota Public Employees Retirement System (NDPERS), a public agency created under North Dakota state law, and Blue Cross Blue Shield of North Dakota (BCBSND), a North Dakota nonprofit mutual insurance company, located at 4510 13th Avenue South, Fargo, North Dakota.

RECITATIONS:

WHEREAS, BCBSND has entered into an agreement with NDPERS to offer to NDPERS Members (as defined by the Administrative Services Agreement between the parties) (ASA Agreement) an integrated approach to care management services, including tools and capabilities to identify, reach, and engage Members and populations of Members who have, or are at risk of having, chronic or other preference sensitive medical conditions, and to provide medical decision support services and to disseminate medical decision support content to these Members and Member populations (hereinafter referred to as a “Disease Management Program”); and

WHEREAS, pursuant to this DMS Agreement, BCBSND has entered into a Shared Decision-Making and Collaborative Care Support Services Agreement (Health Dialog Agreement), dated August 6, 2004, as amended through Health Dialog Work Order **[NOTE: ADD UPDATED WORK ORDER NUMBER]** (NDPERS Work Order), dated **[ADD NEW DATE]**, with an outside vendor, Health Dialog, to assist in providing these services and administering the Disease Management Program, and which contains certain provisions related to the Disease Management Program, and

WHEREAS, the Health Dialog Agreement reflects a fee for these services for NDPERS Members to be administered through an arrangement with BCBSND pursuant to certain performance guarantees and premium at risk as set forth below.

NOW, WHEREFORE, in recognition of the mutual promises herein contained and for other good and valuable consideration hereby acknowledged by the parties hereto, NDPERS and BCBSND agree to the following.

I. BENEFITS AND SAVINGS RESULTING FROM THE DISEASE MANAGEMENT PROGRAM.

BCBSND acknowledges, understands and agrees that any benefits or monetary savings resulting from the administration of the Disease Management Program, as this program relates to NDPERS Members as determined by BCBSND, are to be passed directly through to NDPERS.

II. FEES.

NDPERS has approximately 51,000 lives and this DMS Agreement requires that the fee be increased to **[ADD NEW FEE]** per member per month.

III. PARAMETERS OF THE PROGRAM.

If the following criteria are not met for the NDPERS population, Health Dialogue will refund to BCBSND the percentage of dollars as set forth in the parentheses below of dollars received for the purchase of services from Health Dialogue.

During the initial twelve (12) months of the program at the call center:

1. Average telephone answer time is less than or equal to forty (40) seconds [three percent (3%) of fee].
2. Average telephone hold time is less than or equal to thirty (30) seconds [three percent (3%) of fee].
3. Average blockage rate on telephone is less than or equal to three percent (3%) [three percent (3%) of fee].

By the end of the initial twelve (12) months of the program:

The savings achieved by the program (measured using the standard Health Dialogue methodology for computing savings for both Preference Sensitive Conditions and Chronic Conditions) will equal the fees paid during the previous twelve (12) months [eleven percent (11%) of the fee].

A total of twenty percent (20%) of the program fee is at risk.

The second year of the contract will be guaranteed and measured on the same criteria for the call center, and the savings will increase to 1.3 times the fees paid during the second twelve (12) months.

BCBSND will pass the entire amount of this guarantee through to the NDPERS plan.

IV. OTHER TERMS AND CONDITIONS.

NDPERS acknowledges, understands and agrees that the terms of the Health Dialogue Agreement and NDPERS Work Order IN PLACE BETWEEN Health Dialog and BCBSND, including but not limited to terms that specifically relate to the administration, cancellation, termination and payment terms, are hereby incorporated into this DMS Agreement and applicable to this DMS Agreement related to the Disease Management Program as if fully incorporated herein.

V. GENERAL PROVISIONS.

The following general conditions, covenants and obligations apply equally to both NDPERS and BCBSND under the terms of this DMS Agreement.

Time is of the Essence. Time is of the essence of each provision of this entire DMS Agreement and all of its terms and conditions.

Notice. Any notice required or permitted under the terms of this DMS Agreement shall, in all cases, be construed under the notice provision in the Health Dialogue Agreement.

Assignment. No party may assign this DMS Agreement, or any of the obligations or duties mandated under the terms of this DMS Agreement, without the prior written consent of the other parties hereto.

Waiver. No delay or omission by any party to exercise any right or power under the terms of this DMS Agreement shall preclude the exercise of such right or power in subsequent instances or be construed to be a waiver thereof. A waiver by any party hereto of any of the covenants to be performed by any other party shall not be construed to be a waiver of any covenant herein contained, and the waiver of any breach of covenant shall not be construed to be a waiver of any succeeding breach thereof.

Entire Agreement. To the extent this DMS Agreement affects the ASA Agreement between NDPERS and BCBSND, this DMS Agreement shall constitute the entire agreement between the parties, and any prior understandings or representations of any kind preceding the date of this DMS Agreement shall not be binding upon either party except to the extent expressly set forth in this DMS Agreement. In any case, the administration of any services under the terms of this DMS Agreement shall not be considered in the final accounting and reconciliation of the NDPERS health plan as administered by BCBDND pursuant to Article 7 of the Administrative Service Agreement between the parties.

Modification. Any modification of this DMS Agreement or additional obligations assumed by any party in connection with this DMS Agreement shall be binding only if evidenced in writing and signed by each party or an authorized representative of each party hereto.

Counterparts. This DMS Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Recitals and Paragraph Headings. The recitals to this DMS Agreement are deemed to be an expression of the intent of the parties hereto, and to the extent the recitals create any duties for or obligations on the parties to this DMS Agreement, such recitals are deemed to be a part of the DMS Agreement. The titles to the paragraphs of this DMS Agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify or aid in the interpretation of this DMS Agreement.

Binding Effect. This DMS Agreement is binding on the parties hereto, and to their successors and assigns, including any parent or subsidiary corporation.

IN WITNESS WHEREOF, the parties hereto by their duly authorized representatives have executed this DMS Agreement as of the date first written above.

NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM (NDPERS)
PO Box 1657
Bismarck, ND 55416

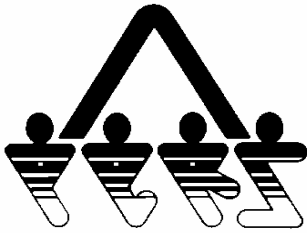
BLUE CROSS BLUE SHIELD OF NORTH
DAKOTA (BCBSND)
4510 13th Avenue South
Fargo, ND 58121-0001

Name Date

Title

Michael B. Unhjem Date

President and CEO



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 9, 2007
SUBJECT: SPD Rate Requests

Attached please find two resolutions received by the office requesting that PERS consider adding a single plus dependent rate for political subdivisions. In response, I am suggesting the following:

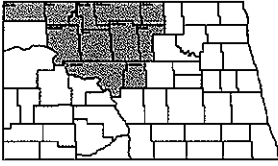
- We ask BCBS to determine if we can make such a change and if so what the effect will be on our rates for political subdivisions (when a three tier structure is introduced usually the family rate rises and the SPD rate fall somewhere between the old family rate and the single rate)
- Once we get the information from BCBS and if we determine it is feasible we consider forwarding it to our political subdivisions and asking them if they would like to see their rates modified to include the SPD rate.
- Based upon the response we then determine how to proceed.

Board Action Requested

Decide how to respond to the attached requests.

Staff Recommendation

To proceed as outlined above.



Elmer Jesme Conference of Counties

July 17, 2007

Mr. Sparb Collins, Executive Director
NDPERS
P.O. Box 1657
Bismarck, North Dakota 58502

RECEIVED

JUL 18 2007

ND PERS

Mr. Collins:

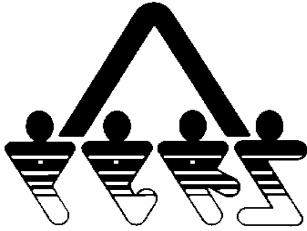
Please be aware and take note of the enclosed Resolution recently passed the Elmer Jesme Conference of Counties regarding your agency's NDPERS policies.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Hagen", with a long horizontal flourish extending to the right.

Greg Hagen
Secretary

enc.



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

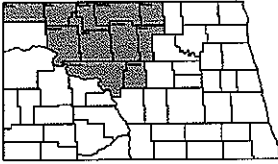
FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board
FROM: Sparb
DATE: August 9, 2007
SUBJECT: Drug Formulary

Tom Christensen, Director of Pharmacy Management for BCBS, will be at the next Board meeting to address the following questions relating to the formulary:

- 1) What is the process for removing a drug from the formulary?
- 2) When a drug is removed from the formulary, how is notification to members made?
- 3) What is the process for notifying members of changes to the formulary?



Elmer Jesme Conference of Counties

RESOLUTION

2-07

WHEREAS, the Elmer Jesme Conference of Counties, a regional association of County Commissioners, are public officials with an interest in the promotion of good government and prudently utilizing the limited financial resources of the counties while providing county employees with competitive salaries and benefits, and

WHEREAS, healthcare costs have historically risen throughout the years to policy holders insured by NDPERS, and

WHEREAS, NDPERS has stated they would offer/incorporate a "single plus dependent" and/or "single plus spouse" coverage in the near future.

NOW THEREFORE BE IT RESOLVED, the Elmer Jesme Conference of Counties requests the NDPERS Board follows through with the discussion of offering "single plus dependent" and "single plus spouse" coverage as offered by Blue Cross Blue Shield to other Blue Cross Blue Shield policies.

ADOPTED, June 27, 2007

BY, the Elmer Jesme Conference of Counties

SUBMITTED TO, the North Dakota Association of Counties
NDPERS



Greg Hagen, Secretary



PRESIDENT – Kathy Exner
PO Box 128
LaMoure, ND 58458-0128
Phone: (701) 883-5301 Ext 216
LAMOURE County
E-mail: kathy.exner@nd.gov

**VICE-
PRESIDENT –** Lisa Diseth
524 4th Ave Unit 20
Devils Lake, ND 58301-2400
RAMSEY County
Phone: (701) 662-7021
E-mail: ldiseth@nd.gov

**SECRETARY/
TREASURER –** Jill Trenda
600 Cooper Ave.
Grafton, ND 58237-1509
WALSH County
Phone: (701) 352-2541
E-mail: jtrenda@nd.gov

DIRECTORS – Vicki Lippert
210 2nd Ave. NW
Mandan, ND 58554-3158
MORTON County
Phone: (701) 667-3310
E-mail: vlippert@nd.gov

Gail Veland
PO Box 396
Ellendale, ND 58436-0396
DICKY County
Phone: (701) 349-3249 Ext 6
E-mail: gveland@nd.gov

Devra Smestad
PO Box 5005
Minot, ND 58702-5005
WARD County
Phone: (701) 857-6420
E-mail: devra.smestad@co.ward.nd.us

July 17, 2007



Kathy M. Allen
Executive Director
ND PERS
Box 1657
Bismarck, ND 58502

Dear Ms. Allen:

Enclosed are minutes from our annual Treasurer's Association convention held in June 2007.

At our business meeting, discussion was held regarding the available PERS health insurance plans. A motion was made and seconded and is reflected in the minutes for support from our association for PERS to consider the offering of single plus dependent and single plus spouse plans.

Sincerely,

Jill Trenda
Secretary/Treasurer
ND County Treasurer's Assn

New Business:

- 1.) **Historian** - The idea was brought up to have a historian or a volunteer to keep our historical reviews current. Nothing was decided.
- 2.) **Special Assessments and payment of** - A question was brought before the group concerning special assessments. If a special assessment was put on a property because a bill, such as a water or utility bill had not been paid, could the property owner just pay the special assessment, not other tax, to get the water or electricity turned back on. Because the tax and special assessment are paid on a proportionate basis, just the water assessment could not be paid at the county level. The consensus was to have the property owner pay the special assessment at the city or where the charge originated and have the city or other entity send a letter to authorize the removal of the special assessment from county collection.
- 3.) **PERS & request for Single Plus Dependant/Single Plus Spouse Plan** - Currently PERS does not offer a single plus dependant or single plus spouse plan for health insurance. Kevin Glatt (Burleigh) asked for support from our association for the offering of the above plans. Motion was made by Kevin Glatt (Burleigh) and seconded by Devra Smestad (Ward). Motion passed.
- 4.) **50th Anniversary Pins** - Because our association is celebrating our 50th year, it was suggested that we have pins commemorating our 50 years. These pins would be paid for by our association. Devra Smestad (Ward) made a motion and Leslie Hage (Richland) seconded the motion. Jan Thompson (Stutsman) volunteered to check on these.
- 5.) **Combined Auditor and Treasurer Conventions** - Kevin Glatt (Burleigh) asked what the feelings were about having a combined Auditor and Treasurer Convention. Many issues discussed at conventions concern both and there are counties with Auditor/Treasurer where these individuals wouldn't have to make a decision which convention to attend (many can't be gone from their jobs for two weeks straight). It was decided to have the Executive Boards of both associations work out details to have combined conventions in legislative years, starting with 2009.
- 6.) **Award of Excellence Nomination** - Carol Kessler's submission for Award Of Excellence was resubmitted for this year's consideration. Nominations are due 8-17-07. The Awards Committee, as appointed by President Kathy (LaMoure), will work on this and any other submissions.

Nominating Committee:

Committee members Norine Erickson (Ransom), Hazel Herman (Burke), and Jan Erdmann (Sheridan) presented the following slate of officers for the 2007-2008 year:

President - Kathy Exner (LaMoure)
Vice-President - Lisa Diseth (Ramsey)
Secretary/Treasurer - Jill Trendera (Walsh)
Directors - Vicki Lippert (Morton)
 Gail Veland (Dickey)
 Devra Smestad (Ward)
NDACo Representative - Linda Svihovec (McKenzie)
NDACo Delegates - Bev Dokken (Divide)
 Bonnie Eliason (Mountrail)
NACo Delegates - Charlotte Sandvik (Cass)
 Vicki Lippert (Morton)

Motion was made and seconded that nominations cease and that a unanimous ballot be cast for the slate. Motion carried.

2008 Convention - Kari Evenson, Williams County, representative of Region 1, invited everyone to Williston for the 2008 Annual Treasurer's Convention. The convention will be held June 18, 19, & 20, 2008.

2009 Convention - Because of the possibility of a combined Auditor and Treasurer Convention, Charlotte Sandvik (Cass) tentatively offered Fargo as the site for the 2009.



Memorandum

TO: Sparb Collins, NDPERS

FROM: Larry Brooks, BCBSND

DATE: August 2, 2007

SUBJECT: Formulary Development – Follow-up questions

From the July 19 PERS Board meeting, the following questions were asked:

- 1) What is the process for notifying members of changes to the formulary?
- 2) What is the process for removing a drug from the formulary?
- 3) When a drug is removed from the formulary, how is notification to member made?

I posed these questions to Tom Christensen, Pharmacy Director. Below was his response:

The process for removing a drug from the formulary is the same as adding one. All formulary status recommendations and decisions (additions and deletions) are based on stepwise consideration of the following criteria, listed in order of consideration:

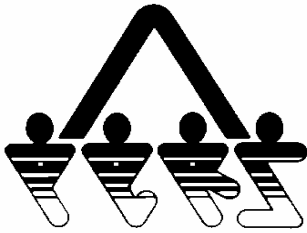
- Safety
- Efficacy
- Uniqueness
- Market considerations

As a practical matter, deletion recommendations are almost always based on market considerations. For example, at the June 2007 formulary committee meeting, five brand-name products (Ambien, Cortef, Norvasc, Omnicef, Zantac Syrup) were removed from the formulary and were replaced with the generic-name products because the generic-name product versions had become widely available. Two generic-name products (mitomycin inj., chorionic gonadotropin inj.) were removed and replaced with the brand-name product versions because the generic-name product versions were no longer available. One product (pergolide) was completely removed from the formulary since it was no longer available on the market. Finally, one drug (reserpine) was removed from

the formulary since it is an old drug no longer used to any significant extent (no members were on the drug at the time the decision was made).

Occasionally, a drug with significant utilization is removed from the formulary. When this occurs, an edit is placed on the system allowing a member to continue receiving the drug at the formulary level for three months. During this time, utilization reports from the previous six months are generated and reviewed to identify members utilizing the drug. These members are sent a letter informing them of the formulary change and directing them to formulary alternatives and advising them of the Non-formulary Appeal process.

If you have any questions, please let me know. Tom and I will be attending the August 16 Board meeting.



**North Dakota
Public Employees Retirement System**
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: NDPERS Board

FROM: Kathy

DATE: August 8, 2007

SUBJECT: EPO Open Enrollment Update

The annual EPO open enrollment was conducted from May 23 through June 25, 2007. Attached is a breakdown of the outcome of this year's enrollment effort which shows contracts as of June 30, 2007 compared to contracts as of July 1, 2007 with the difference and percent change for each network.

As the attached indicates Dakota Clinic, MedCenter One, Primecare and Mercy Medical all increased their contract membership. Of particular note is that MedCenter One and Primecare had the largest increases. As a reminder, both these networks rejoined the EPO effective July 1, 2006. Altru Clinic had a decrease and MeritCare had no significant change in participation.

NDPERS - EPO Contract Count
Institutional Unique Count
06/30/2007 and 07/01/2007

	Altru Clinic				Dakota Clinic			
	30-Jun	01-Jul	Difference	% Change	30-Jun	01-Jul	Difference	% Change
Contracts	2,168	2,131	-37	-1.7%	642	643	1	0.2%
Members	5,680	5,575	-105	-1.8%	1,707	1,715	8	0.5%

	Medcenter One				Mercy Medical			
	30-Jun	01-Jul	Difference	% Change	30-Jun	01-Jul	Difference	% Change
Contracts	1,282	1,340	58	4.5%	228	238	10	4.4%
Members	3,450	3,628	178	5.2%	555	584	29	5.2%

	MeritCare Health				Primecare			
	30-Jun	01-Jul	Difference	% Change	30-Jun	01-Jul	Difference	% Change
Contracts	2,694	2,694	0	0.0%	1,296	1,365	69	5.3%
Members	6,993	6,982	-11	-0.2%	3,562	3,736	174	4.9%

	Total EPO			
	30-Jun	01-Jul	Difference	% Change
Contracts	8,310	8,411	101	1.2%
Members	21,947	22,220	273	1.2%



**North Dakota
Public Employees Retirement System**

400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-INFO@ND.GOV • www.nd.gov/ndpers

M E M O R A N D U M

TO: NDPERS BOARD
SPARB COLLINS, NDPERS
KATHY ALLEN, NDPERS
BAR
FROM: BRYAN T. REINHARDT
DATE: July 25, 2007
SUBJECT: GROUP MEDICAL PLAN - SURPLUS/AFFORDABILITY UPDATE

Here is the June surplus projection and affordability analysis for the NDPERS group medical plan. The plan made it through the 2005-2007 biennium. We will start to analyze the 07-09 period after about six months of experience.

Net premium sent to BCBS in July 2005 was \$10,853,370. For comparison, net premium sent to BCBS in June 2005 was \$9,821,731. The NDPERS health plan ended up with 23,580 contracts in June, 2005. There were 22,947 contracts in June, 2003, and 21,792 in July 2001. There are now 24,355 contracts.

The projection for the 2003 - 2005 biennium shows an ending balance of \$15.67 million. The cash settlement back to NDPERS is \$1.94 million. The \$14.3 million deposit date for the 05-07 biennium was July 1, 2006. These amounts are at BCBS and receiving interest.

The projection for the 2005 - 2007 biennium shows a June 30, 2007 ending gain of \$765,798. Since we share 50/50 in the first \$3.0 million surplus with BCBS, future growth in this surplus will be difficult. BCBS has the IBNR estimate for this projection at \$16 million. Note that this is a conservative estimate.

If you have any questions or you should need anymore information, please contact me.

NDPERS - ESTIMATED SURPLUS PROJECTION: 2005-2007 BIENNIUM

June, 2007

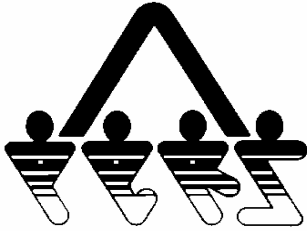
The following exhibit summarizes the estimated surplus for the NDPERS group medical plan at the end of the 2005-2007 biennium. The estimate has been updated to include account activity through June, 2007.

1) Preliminary Underwriting Gain for the 2005-2007 Biennium	(\$13,791,400)
2) Cash Balance Interest Accumulation	\$1,095,235
3) Estimated Underwriting Gain for the 2005-2007 Biennium	(\$12,696,165)
5) Refunds and Settlements	
07/01/05 Perform Rebate (Included as claim rebates)	\$424,842
10/04/05 Perform Rebate (Included as claim rebates)	\$430,343
12/01/05 Perform Rebate (Included as claim rebates)	\$8,716
01/01/06 Perform Rebate (Included as claim rebates)	\$332,766
02/24/06 Perform Rebate (Included as claim rebates)	\$387,919
03/01/06 Perform Rebate (Included as claim rebates)	\$15,236
05/26/06 Perform Rebate (Included as claim rebates)	\$280,399
08/31/06 Perform Rebate (Included as claim rebates)	\$288,072
11/30/06 Perform Rebate (Included as claim rebates)	\$266,417
12/30/06 Perform Rebate (Included as claim rebates)	\$23,228
02/28/07 Perform Rebate (Included as claim rebates)	\$272,137
03-04/07 Perform Rebate (Included as claim rebates)	\$7,686
05/31/07 Perform Rebate (Included as claim rebates)	\$280,570
06/30/07 Perform Rebate (Included as claim rebates)	\$17,701
EPO Settlement Payments 7/05 - 6/06 (Included as rebates & paid)	\$1,277,000
EPO Settlement Payments 7/06 - 6/07 (Included as rebates & paid)	\$0
6) Cash Reserve Account Balance	\$15,666,912
2003-2005 Settlement Cash Out:	(\$1,439,151)
Future Interest:	\$0
Total	\$14,227,761
7) Total Estimated Surplus Held by BCBS	\$1,531,596
8) BCBS Portion of Surplus (50% upto \$1,500,000)	\$765,798
9) PERS Portion of Surplus Held by BCBS	\$765,798
10) NDPERS Wellness Accounts	
My Health Connection	\$173,574
Employer Based Wellness	\$63,105
Wellness Benefit Program	\$40,628
SubTotal	\$277,307
Total Adjusted for Usage	\$0
11) Total Estimated Funds Available to PERS on June 30, 2007	\$765,798

NDPERS - Projected Underwritten Experience for the 2005-2007 Biennium
 June, 2007

MONTH	NET PREMIUM COLLECTED	PREMIUM ADJUSTMENT	TOTAL PREMIUM INCOME	ADMIN EXPENSE \$26.98/CON	NET PREMIUM	CLAIMS INCURRED & PAID TO DATE	ESTIMATED IBNR CLAIMS	TOTAL INCURRED CLAIMS (1)	ESTIMATED GAIN / LOSS
Jul-05	\$11,491,070	(\$2,387)	\$11,488,683	\$637,699	\$10,850,984	\$10,937,266	\$0	\$10,937,266	(\$86,282)
Aug-05	\$11,486,984	\$0	\$11,486,984	\$635,676	\$10,851,308	\$10,788,281	\$0	\$10,788,281	\$63,027
Sep-05	\$11,592,130	\$0	\$11,592,130	\$641,396	\$10,950,735	\$9,700,717	\$0	\$9,700,717	\$1,250,018
Oct-05	\$11,564,639	(\$995)	\$11,563,644	\$640,748	\$10,922,896	\$10,047,663	\$0	\$10,047,663	\$875,233
Nov-05	\$11,565,139	\$1,417	\$11,566,556	\$640,478	\$10,926,078	\$11,366,451	\$0	\$11,366,451	(\$440,373)
Dec-05	\$11,575,731	\$7,675	\$11,583,406	\$640,829	\$10,942,577	\$11,767,744	\$0	\$11,767,744	(\$825,167)
Jan-06	\$11,053,969	\$332	\$11,054,300	\$644,606	\$10,409,694	\$10,019,270	\$0	\$10,019,270	\$390,424
Feb-06	\$11,053,628	\$0	\$11,053,628	\$645,308	\$10,408,320	\$9,709,984	\$0	\$9,709,984	\$698,336
Mar-06	\$11,049,994	(\$26,775)	\$11,023,218	\$645,146	\$10,378,073	\$12,067,740	\$0	\$12,067,740	(\$1,689,667)
Apr-06	\$11,066,004	(\$36,321)	\$11,029,683	\$645,820	\$10,383,862	\$10,967,977	\$0	\$10,967,977	(\$584,115)
May-06	\$11,064,390	\$3,501	\$11,067,891	\$646,198	\$10,421,693	\$11,064,141	\$0	\$11,064,141	(\$642,448)
Jun-06	\$11,076,821	\$0	\$11,076,821	\$647,385	\$10,429,436	\$11,670,673	\$0	\$11,670,673	(\$1,241,237)
Jul-06	\$11,056,557	\$0	\$11,056,557	\$646,495	\$10,410,063	\$10,374,388	\$0	\$10,374,388	\$35,675
Aug-06	\$11,052,995	\$0	\$11,052,995	\$646,414	\$10,406,581	\$11,463,109	\$0	\$11,463,109	(\$1,056,528)
Sep-06	\$11,153,014	\$0	\$11,153,014	\$650,785	\$10,502,229	\$10,098,680	\$0	\$10,098,680	\$403,549
Oct-06	\$11,116,487	\$6,351	\$11,122,838	\$650,515	\$10,472,323	\$11,283,011	\$0	\$11,283,011	(\$810,688)
Nov-06	\$11,146,017	(\$8,222)	\$11,137,795	\$652,916	\$10,484,879	\$11,226,380	\$104,000	\$11,330,380	(\$845,501)
Dec-06	\$11,130,343	(\$12,813)	\$11,117,530	\$651,972	\$10,465,558	\$11,440,236	\$159,000	\$11,599,236	(\$1,133,678)
Jan-07	\$11,173,395	(\$5,016)	\$11,168,379	\$654,643	\$10,513,737	\$11,554,618	\$258,000	\$11,812,618	(\$1,298,881)
Feb-07	\$11,192,661	\$1,098	\$11,193,759	\$658,177	\$10,535,582	\$9,669,687	\$564,000	\$10,233,687	\$301,895
Mar-07	\$11,192,066	\$4,290	\$11,196,356	\$656,154	\$10,540,202	\$11,334,747	\$785,000	\$12,119,747	(\$1,579,545)
Apr-07	\$11,212,566	\$6,117	\$11,218,683	\$657,017	\$10,561,666	\$10,267,057	\$1,999,000	\$12,266,057	(\$1,704,391)
May-07	\$11,213,832	\$6,568	\$11,220,400	\$656,909	\$10,563,491	\$9,752,248	\$3,930,000	\$13,682,248	(\$3,118,757)
Jun-07	\$11,210,872	\$4,950	\$11,215,822	\$657,125	\$10,558,697	\$3,110,030	\$8,201,000	\$11,311,030	(\$752,333)
BIENNIAL TOTAL	\$269,491,302	(\$50,231)	\$269,441,072	\$15,550,409	\$253,890,663	\$251,682,098	\$16,000,000	\$267,682,098	(\$13,791,435)

(1) Future Months are Estimated based on Projection from NDPERS.



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Memorandum

TO: PERS Board
FROM: Bryan
DATE: August 9, 2007
SUBJECT: NDPERS Employee Assistance Program Update

The EAP open enrollment for the 2007-2009 biennium wrapped up on July 9th. Only one of the current agencies switched providers. There were 20 new groups that had to choose an EAP provider for the first time. These were mostly the health units which are now treated as 'state' employers. We now have four EAP providers since four of the new groups chose Deer Oaks for the first time. The group count for each provider is:

St. Alexius – 75
The Village – 21
Medcenter One – 13
Deer Oaks – 4

This year, we used email, the NDPERS web site, and the NDPERS payroll conference to communicate the EAP open enrollment. Note that all four providers had set up booths at the payroll conference.

After the deadline, we sent the agency list to each provider with instructions to set up their orientation meetings with any new groups.

The next open enrollment for the NDPERS EAP will be the spring of 2009.

If you have any questions, I will be available at the Board meeting.

NDPERS Health Care Analysis



2006

North Dakota Public Employees Retirement System

For January - December 2006, there were 18,186 active NDPERS employees. This is about 76% of the NDPERS contracts. The average age of these employees was 46 years. There were 29,056 dependents of NDPERS employees on the NDPERS health plan.

HOSPITAL

NDPERS health plan members had 51,645 hospital claims from January to December 2006. These claims had \$90,170,818.66 in total charges. The NDPERS health plan paid \$51,349,145.15 toward these charges.

HOSPITAL UTILIZATION ADMISSION: 01/2006 - 12/2006

```
„fffffffffffffffff...ffffff...fff...fffffffff...fffffffffffffffff...fffffffffffffffff†
,
,CLAIMS, % , DAYS , CHARGES , PAID ,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,CLAIM TYPE: , , , , , ,
,IP=Inpatient , , , , , ,
,OP=Outpatient , , , , , ,
‡fffffffffffffffff% , , , , , ,
,IP NEWBORN , 548, 1, 1651, $1,820,862, $1,192,906,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,IP MEDICAL , 883, 2, 3437, $9,556,336, $6,326,042,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,IP MATERNITY , 590, 1, 1425, $2,637,851, $1,425,049,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,IP SURGICAL , 1262, 2, 4522, $29,878,827, $20,196,135,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,IP PSYCH , 174, 0, 1642, $1,815,889, $1,178,027,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,IP CHEM DEP , 61, 0, 626, $604,315, $381,337,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,OP MATERNITY , 1177, 2, 0, $514,045, $220,623,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,OP SURGICAL , 5700, 11, 0, $18,103,064, $7,552,351,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,OP PSYCH , 692, 1, 0, $807,280, $446,315,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,OP CHEM DEP , 582, 1, 0, $856,966, $563,022,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,OP MEDICAL , 39752, 77, 0, $22,937,801, $11,473,887,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,SNF & SWING BED, 45, 0, 407, $266,459, $197,441,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,HOME HEALTH AG , 106, 0, 0, $137,777, $106,399,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,HOSPICE , 73, 0, 0, $233,348, $89,612,
‡fffffffffffffffff^ffffff^fff^fffffffff^fffffffffffffffff^fffffffffffffffff%
,TOTAL , 51645,100, 13710, $90,170,819, $51,349,145,
$fffffffffffffffff<ffffff<fff<fffffffff<fffffffffffffffff<fffffffffffffffff€
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PHYSICIAN/CLINIC

NDPERS health plan members had 780,088 physician/clinic services from January to December 2006. These services had \$95,053,805.79 in total charges. The NDPERS health plan paid \$45,649,275.15 toward these charges.

PHYSICIAN/CLINIC UTILIZATION SERVICE DATE: 01/2006 - 12/2006

```
.,ffffffffffffffffffff...ffffffffffff...fff...ffffffffffffffff...fffffffffffffff†
,                ,SERVICES , % , CHARGES , PAID ,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
,TYPE OF SERVICE , , , , , ,
‡ffffffffffffffffffff%
, SURGERY-IP , 3954, 1, $5,769,844, $2,775,329,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, SURGERY-OP , 6817, 1, $5,283,026, $2,053,008,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, SURGERY-OFFICE , 19013, 2, $6,422,756, $2,481,570,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, ANESTHESIA , 10060, 1, $5,405,850, $2,281,142,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, MATERNITY , 6578, 1, $2,253,911, $1,192,765,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, ANCILLARY ROOMS , 2959, 0, $4,258,079, $1,986,369,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, IP VISITS , 10796, 1, $1,956,285, $1,142,755,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, OP / ER VISITS , 12714, 2, $1,779,721, $881,693,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, OFFICE CALLS , 143481, 18, $15,239,751, $8,688,283,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, OPTICAL , 10858, 1, $853,347, $349,066,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, CHEM/PSYCH , 29074, 4, $4,121,641, $2,644,625,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, THERAPIES , 107563, 14, $9,287,536, $4,771,526,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, EKG/EEG , 21953, 3, $3,171,427, $1,457,298,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, DIAGNOSTIC LAB , 178603, 23, $9,214,675, $3,588,311,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, DIAGNOSTIC X-RAY , 71072, 9, $8,807,207, $4,085,632,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, RX/INJECTIBLES , 78718, 10, $6,056,908, $2,538,147,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, SPECIAL SERVICES , 48561, 6, $2,494,271, $1,300,669,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, SUPPLIES , 5548, 1, $582,785, $209,069,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, HME , 11766, 2, $2,094,787, $1,222,018,
‡ffffffffffffffffffff^ffffffffffff^fff^ffffffffffffffff^fffffffffffffffff%
, TOTAL , 780088,100, $95,053,806, $45,649,275,
Sffffffffffffffffffff<ffffffffffff<fff<ffffffffffffffff<fffffffffffffffffE
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PRESCRIPTION DRUGS

NDPERS health plan members had 421,601 pharmacy claims from January to December 2006. These claims had \$39,006,536.99 in total charges. The NDPERS health plan paid \$19,636,500.29 toward these charges.

PRESCRIPTION DRUG UTILIZATION
FILL DATE: 01/2006 - 12/2006

```

,,fffffffffffffffff...fffffffff...fff...fffffffffffffffff...fffffffffffff†
,
, CLAIMS , % , CHARGES , PAID ,
‡fffffffffffffffff^fffffffff^fff^fffffffffffffffff^fffffffffffff%
, PRESCRIPTION DRUGS,
,
,
‡fffffffffffffffff%
, NON-GENERIC , 187069, 44, $28,466,387, $15,611,063,
‡fffffffffffffffff^fffffffff^fff^fffffffffffffffff^fffffffffffff%
, GENERIC , 234522, 56, $10,539,959, $4,025,411,
‡fffffffffffffffff^fffffffff^fff^fffffffffffffffff^fffffffffffff%
, UNKNOWN , 10, 0, $191, $26,
‡fffffffffffffffff^fffffffff^fff^fffffffffffffffff^fffffffffffff%
, TOTAL , 421601,100, $39,006,537, $19,636,500,
$fffffffffffffffff<fffffffff<fff<fffffffffffffffff<fffffffffffff€

```

Generic drug use is at 56%, higher than the 52% reported in 2005, 48% reported in 2004, 44% reported in 2003, 41% reported in 2002, 40% in 2001 and 2000, 41% reported in 1999, 43% reported in 1998 and 44% 1997.

PERCENTAGES

EMPLOYEES, SPOUSES, & CHILDREN
BY MEMBERSHIP & CLAIM TYPE
01/2006 - 12/2006

```

,,fffffffffffffffff...fffffffffffffffff...fffffffffffffffff...fffffffffffffffff...fffffffffffff†
,
, HOSPITAL , PHYSICIAN , PHARMACY ,
, MEMBERSHIP , CLAIMS , SERVICES , CLAIMS ,
,
‡fffff...fffff^fffff...fffff^fffff...fffff^fffff...fffff%
,
, Sum , % , Sum , % , Sum , % , Sum , % ,
‡fffffffffffffffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff%
, CHILDREN , 18156, 38, 13291, 26,199373, 26, 80865, 19,
‡fffffffffffffffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff%
, EMPLOYEE , 18186, 38, 23219, 45,349935, 45,220706, 52,
‡fffffffffffffffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff%
, SPOUSE , 10900, 23, 15135, 29,230780, 30,120030, 28,
‡fffffffffffffffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff^fffff%
, TOTAL , 47241, 100, 51645, 100,780088, 100,421601, 100,
$fffffffffffffffff<fffff<fffff<fffff<fffff<fffff<fffff<fffff<fffff€

```

SUMMARY

EPO membership among the actives was at 45% in 2006. This is up from 37% in 2005. The EPO percentage of active contracts was 31% in 2004, 35% in 2003, 39% in 2002, 38% in 2001, 37% in 2000, 33% in 1999, 29% in 1998 and 24% in 1997. Diagnostic x-ray and lab services make up 32% of the professional services for 1/2006 - 12/2006 (32% in 2005, 33% in 2004, 32% in 2003 & 2002, 31% in 2001 & 2000). Employees made up 38% of the active membership, but were responsible for 45 - 52 percent of the claims / services in 2006.

The following graph shows that per capita charges increased 9.1% and per capita costs increased about 11.5% from 2005 to 2006. The average charge per active member per month was \$124 in 1994, \$134 in 1995, \$143 in 1996, \$155 in 1997, \$171 in 1998, \$189 in 1999, \$207 in 2000, \$224 in 2001, \$256 in 2002, \$300 in 2003, \$318 in 2004, \$363 in 2005, and

\$396 in 2006. The average amount paid by the NDPERS health plan per capita was \$84 in 1994, \$92 in 1995, \$96 in 1996, \$100 in 1997, \$110 in 1998, \$114 in 1999, \$117 in 2000, \$122 in 2001, \$134 in 2002, \$153 in 2003, \$163 in 2004, \$185 in 2005, and \$206 in 2006.

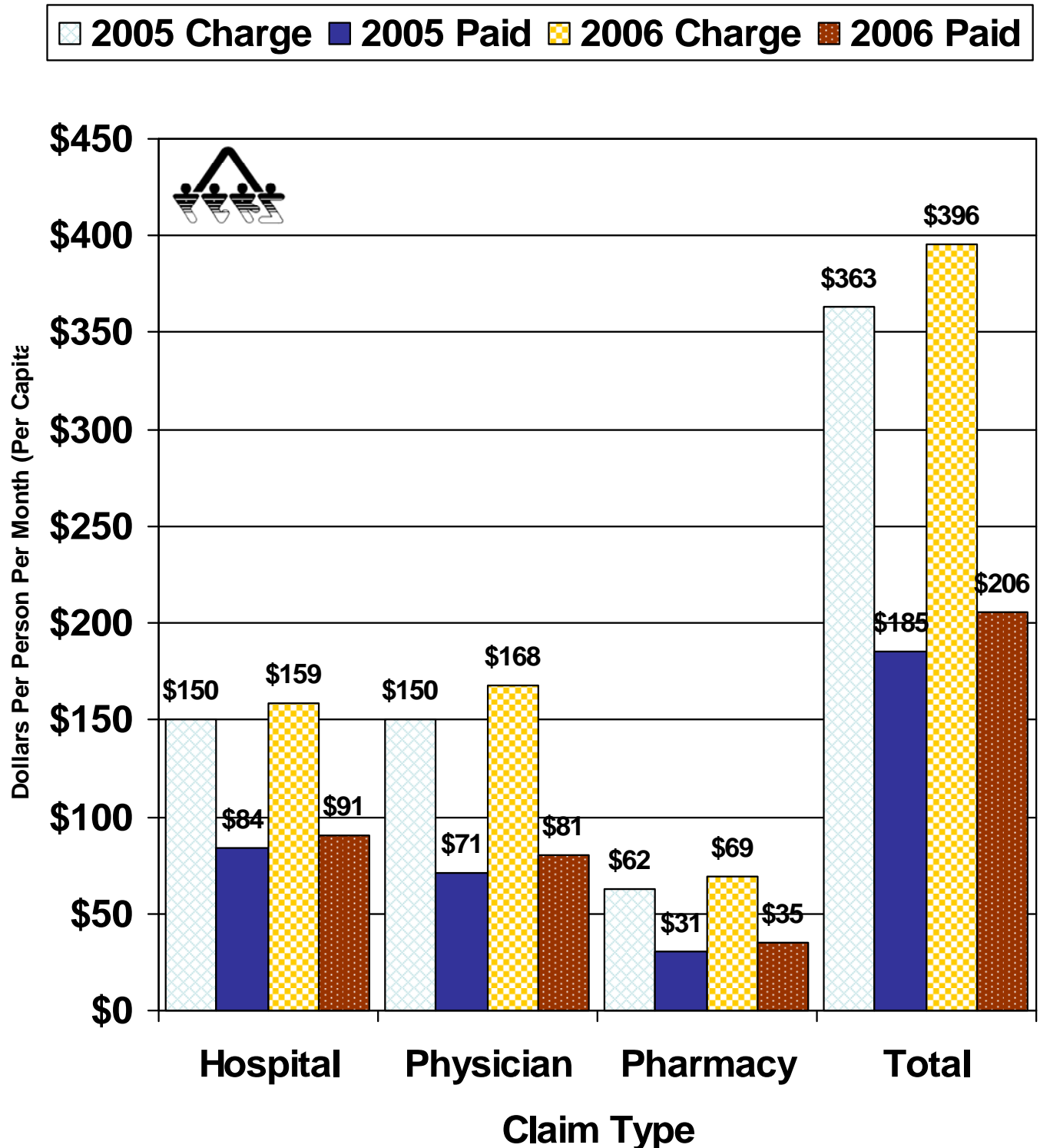
The second graph shows that the number of active claims per month remained about the same throughout 2006.

The last page shows that 2006 overall per capita costs increased for the NDPERS health plan, but the trend line appears to be leveling out.

NDPERS Health Plan

Active Contracts

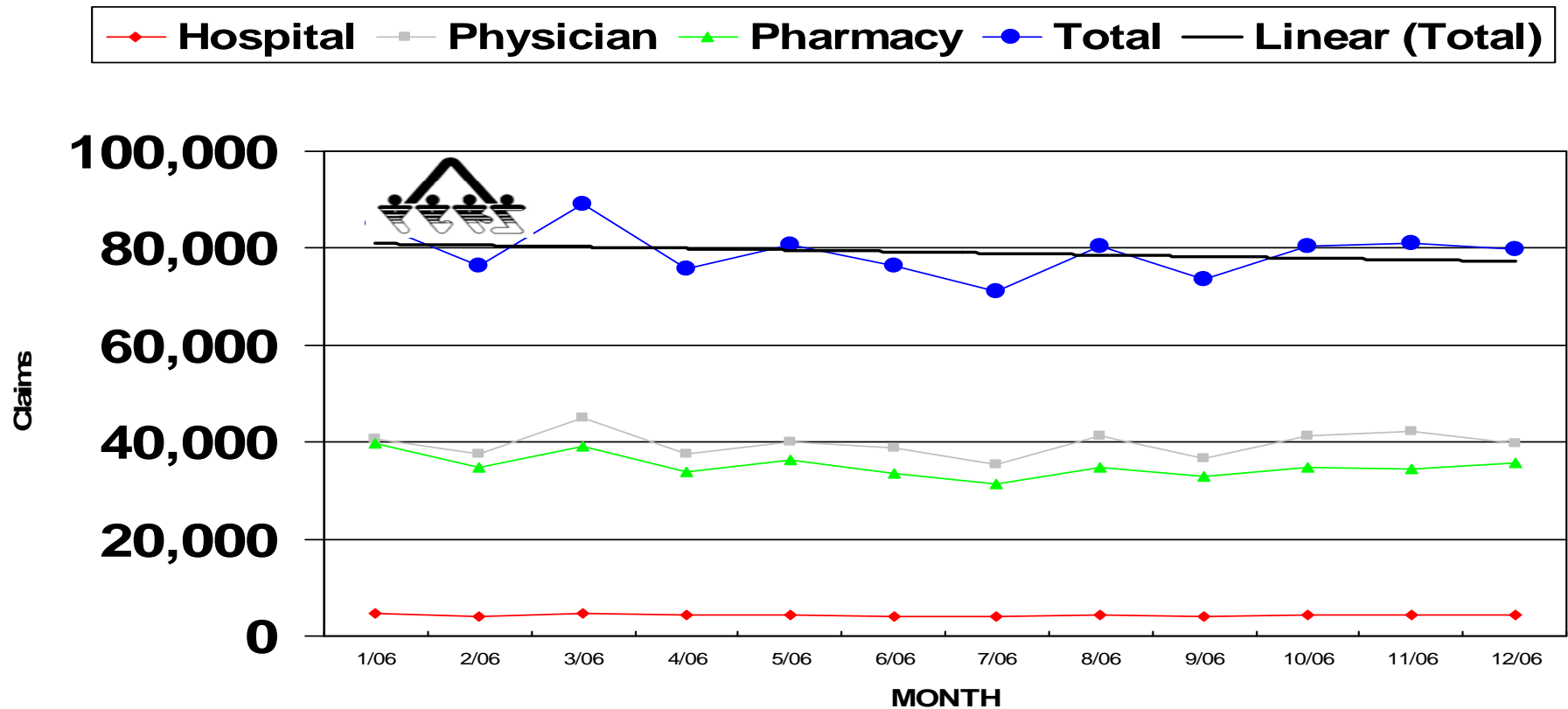
2005-2006



North Dakota Public Employees Retirement System

Health Insurance Claims

Jan-Dec 2006



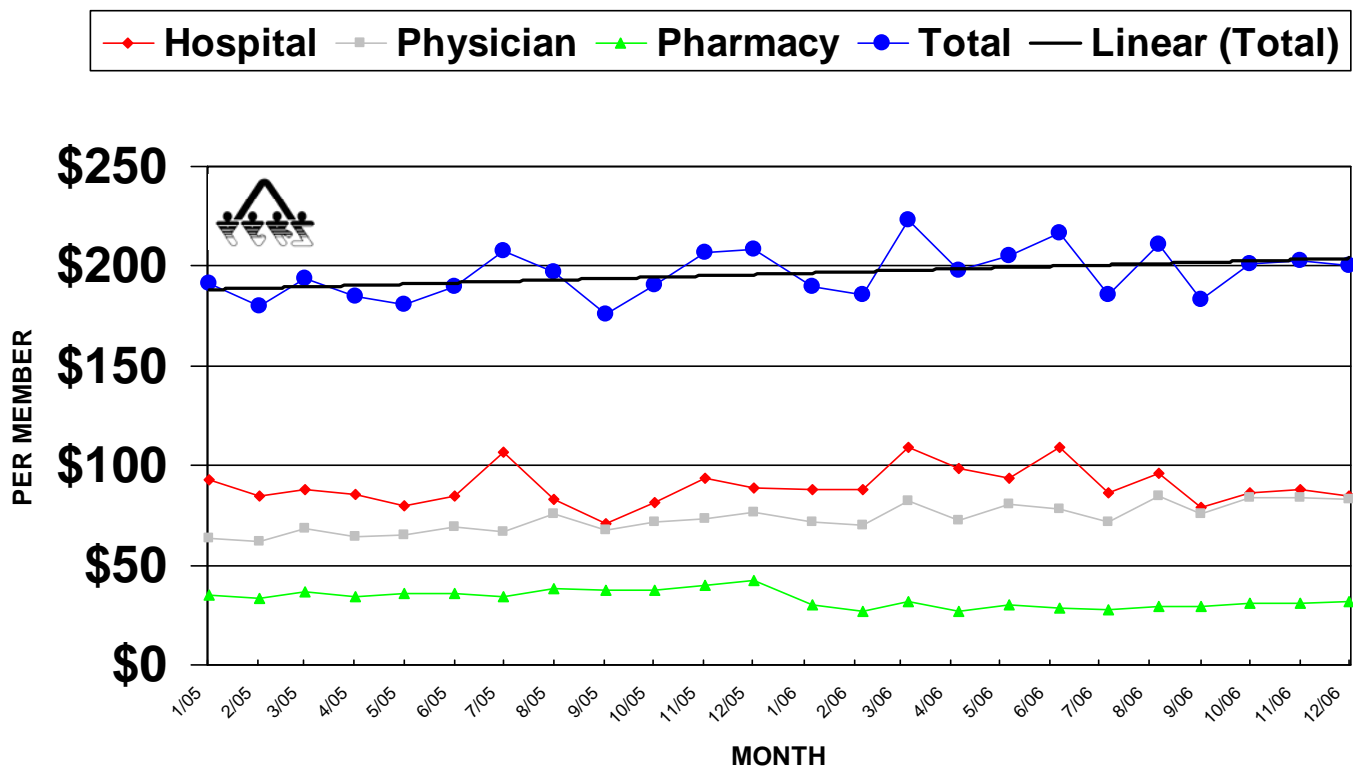
TOTAL NDPERS HEALTH PLAN

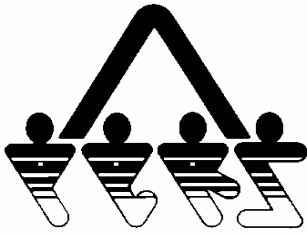
The graph below is for the total NDPERS health plan. It shows the average amount the NDPERS health plan paid per member per month (per capita). The graph depicts the latest two years of NDPERS data.

The active employees are at the \$275 per capita level. Their dependents cost the plan around \$175 per person per month. The retired membership's per capita costs are around \$250 per member. As the graph below shows, overall, the NDPERS health plan now pays slightly over \$200 per person per month in medical claims. This is up from \$200 in the 2005 report, \$175 in the 2004 report, \$160 in the 2003 report and \$140.00 in the 2002 report. In addition to this, the NDPERS health plan pays \$29.78 per month per contract in administration costs.

NDPERS HEALTH INSURANCE PLAN

TOTAL MEMBERSHIP





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Memorandum

TO: NDPERS Board
FROM: Sparb & Sharon
DATE: August 8, 2007
SUBJECT: **GASB 45 Valuation**

The Government Accounting Standards Board (GASB) released Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 43) in April 2004 and Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans (GASB 45) in June 2004. These two statements establish uniform accounting and financial reporting standards for state and local governments related to post-employment benefits other than pensions (OPEB). NDPERS must follow these reporting standards for our fiscal year ended June 30, 2007. This requires an actuarial valuation for the implicit subsidy applicable to our pre-Medicare retirees who are participating in our health plan.

In July, a request was sent to Gallagher Benefit Services and the Segal Company asking them for a cost proposal to complete a GASB 45 valuation. The services being requested include:

1. Calculate the implicit subsidy for the fiscal year July 1, 2006 through June 30, 2007
2. Recommend to the Board which actuarial method should be used in determining this liability
3. Prepare an actuarial valuation following GASB 43 and GASB 45 standards for the fiscal year ending June 30, 2007
4. Prepare the necessary material for the Comprehensive Annual Financial Report to comply with GASB OPEB reporting and disclosure requirements
5. Provide general consulting on GASB 43 and GASB 45 compliance

The deadline for submitting a response is August 10. A summary of the proposals will be provided prior to the Board meeting.

As you may recall, in 2005 we did ask Gallagher to do an estimate of what this liability may be so we could disclose it to OMB and Legislative Council. Attached for your reference is a copy of that report.

Board Action Requested: Award the contract to complete the GASB 45 valuation

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

ACTUARIAL VALUATION OF RETIREE HEALTH PLANS AS OF JULY 1, 2005

October 10, 2005

TABLE OF CONTENTS

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Impact of Medicare Rx Subsidy	5
Summary of Actuarial Assumptions	6
Summary of Plan Provisions.....	7
Census Summary	8

Introduction

Scope

This report presents the results of the actuarial valuation of the North Dakota Public Employee Retirement System (NDPERS) post-retirement benefit plan (other than pensions) as of July 1, 2005. The purpose of the report is to:

- Develop the expected plan liability and annual expense assuming implementation on July 1, 2005; and
- Document actuarial assumptions and plan provisions.

Plans Valued

The retiree benefits included in this actuarial valuation are the fully-insured Dakota and Dakota Retiree medical plans including prescription drugs. All active and retired employees and their eligible dependents are assumed to be covered under the same benefit plans (see Summary of Plan Provisions section of this report).

Applicability of Accounting Standards

The Governmental Accounting Standards Board (GASB) released Statement No. 43 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 43) in April 2004 and Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans (GASB 45) in June 2004. These two statements establish uniform accounting and financial reporting standards for state and local governmental related to post-employment benefits other than pensions (OPEB).

The required effective dates for implementation of the standards by an employer varies depending on their total annual revenue. For the purposes of defining the effective date of the standards, GASB 43 and 45 use the terms *phase 1 government*, *phase 2 government*, and *phase 3 government*. The following table shows the definition of the three phases for plans and employers and their respective effective dates. The employer is required to report under the standards no later than the first fiscal year beginning after the date shown.

Phase	Total Annual Revenues	Plans	Employers
1	\$100,000,000 or more	12/15/05	12/15/06
2	\$10,000,000 - \$100,000,000	12/15/06	12/15/07
3	Less than \$10,000,000	12/15/07	12/15/08

Data

We relied on the accuracy of the data supplied to APEX by NDPERS for this project. The data included monthly paid medical and prescription drug claim experience for the period from July 2003 through June 2005.

We have assumed that the census provided to APEX represents all potential retirees and their dependents that can receive post-retirement medical benefits. Please note that we may have

adjusted some of the underlying census data records to correct duplicate records or to correct what “appeared” to be inconsistent or illogical dates. In our opinion, the changes we made are not material in the aggregate and, for purposes of this report, did not warrant a delay in the release of these results.

Summary of Results

The results in this report are provided for all cost methods allowed by GASB 45, except the Attained Age cost method. The Attained Age cost method was excluded because it is rarely ever used in practice. The use of the five methods was done to provide both an introduction to the allowable methods and as a means to compare the impact of using each method.

We believe the Unit Credit method provides the most logical correlation between accruing and expensing of the retiree benefits. The Financial Accounting Standards Board (FASB) came to the same conclusion and, for that reason, the Unit Credit method is the only method allowed under FASB’s corresponding statement, *Statement of Financial Accounting Standards No. 106* (FAS106).

The discussion of results will assume that the unit credit cost method has been selected. However, all tables will include the valuation results for each of the cost methods.

Accrued Actuarial Liability

The Accrued Actuarial Liability (AAL) is the present value of all future expected postretirement medical payments and administrative costs which are attributable to past service. The total AAL as of July 1, 2005 is projected to be \$69,687,441. We have estimated that \$64,938,404 is attributable to the explicit subsidy from the Retiree Health Credit and \$4,749,037 is due to an implicit subsidy.

Unfunded Accrued Actuarial Liability

The Unfunded Actuarial Accrued Liability (UAAL), which is the difference between the AAL and the value of the plan assets, is \$36,054,435. We have estimated that \$31,305,398 is attributable to the explicit subsidy from the Retiree Health Credit and \$4,749,037 is due to an implicit subsidy.

Annual Required Contribution (ARC)

The Annual Required Contribution (ARC) is the annual expense recognition of the post-retirement benefit plan cost for the fiscal year. For the current fiscal year, we are projecting an ARC of \$3,743,516 if the unfunded actuarial liability at transition is amortized over 30 years, which is the maximum allowed by GASB45, as a level percent of projected salary.

Below, we provide a summary of the ARC and its components:

	<i>Projected ARC</i>
Normal Cost (A)	\$2,157,365
Interest Cost (B)	\$211,897
Transition Obligation (C)	\$1,374,254
ARC (A+B+C)	\$3,743,516

Net OPEB Obligation

The Net OPEB Obligation (NOO) is the cumulative difference between the ARC and the employer's contributions to the plan. Since this is considered to be the transition period, the NOO is equal to zero.

Caveat

The results of this analysis are based on assumptions related to current and future retiree benefit costs. Actual results may differ from expected. In some cases, these differences may be material. Therefore, we recommend continued monitoring of actual versus expected results for the purpose of determining whether any or all of the assumptions should be modified.

Actuarial Cost Methods

One of the following actuarial cost methods can be used: Unit Credit, Entry Age Normal, Attained Age, Aggregate, Frozen Entry Age, and Frozen Attained Age. These methods can be used on a service (level dollar) or earnings (level percentage) basis.

Calculation Definitions

- Actuarial Accrued Liability (AAL) – The AAL is the portion of the actuarial present value of the total projected benefits allocated to years of employment prior to the measurement date.
- Unfunded Actuarial Accrued Liability (UAAL) – The UAAL is the difference between the AAL and the actuarial value of plan assets.

Reporting Requirements

- Annual Required Contribution (ARC) – The ARC is equal to the normal cost and the amortization of the Unfunded Actuarial Accrued Liability plus interest. The normal cost is equal to the actuarial present value (APV) allocated to one year of service.
- Net OPEB Obligation (NOO) – The NOO is the cumulative difference between the ARC and employer's contributions to the plan. For unfunded plans, the contribution would be equal to the annual benefit payments less employee contributions. At transition, the NOO may be set at zero.
- Required Supplementary Information (RSI) – The RSI will require historical trend information from the last three valuations, including disclosure information about the UAAL and the progress in funding the plan. At transition, the RSI may include only the first year of information.

Disclosures

The following information is required to be disclosed:

- Plan description, including:
 - Type of employer – single employer, multiple-employer, etc.
 - Classes of employees covered and the number of plan members
 - Brief description of benefit provisions
- Summary of significant accounting policies, including a brief description of how fair value of investments is determined.
- Contributions and reserves, including:
 - Authority under which the obligations of plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended.
 - Funding policy
 - Required contribution rates of actives and retirees in accordance with the funding policy.
 - Brief description of the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date.
 - The balance in the plan's legally required reserves at the reporting date.

- Funded status and progress
 - Information about the funded status as of the most recent valuation date, including:
 - Actuarial Valuation Date
 - Actuarial Value of Assets
 - Actuarial Accrued Liability (AAL)
 - Total Unfunded Actuarial Accrued Liability (UAAL)
 - Funded ratio – actuarial value of assets as a percentage of the actuarial accrued liability
 - Annual Covered Payroll
 - Ratio of Unfunded Actuarial Liability to Annual Covered Payroll
- Disclosure of information about actuarial methods and assumptions used in valuations on which reported information about the ARC and the funded status and funding progress of OPEB plans are based.

VALUATION RESULTS

3 - 1

The following table provides some basic assumptions and valuation results for NDPERS.

NUMBER OF PARTICIPANTS			
ACTIVES (Eligible)	1,280		
ACTIVES (Not Eligible)	23,171		
RETIREEES	4,613		
TOTAL	29,064		
AVG. REMAINING SERVICE UNTIL RETIREMENT FOR ACTIVES			
YEARS	15.1		
	Explicit Subsidy (Retiree Health Credit)	Implicit Subsidy	Total
PRESENT VALUE OF FUTURE BENEFITS (PVFB)			
ACTIVES (Eligible)	\$8,470,767	\$481,863	\$8,952,630
ACTIVES (Not Eligible)	\$41,921,775	\$7,092,342	\$49,014,117
TOTAL ACTIVES	\$50,392,542	\$7,574,205	\$57,966,747
RETIREEES	\$30,136,389	\$1,002,087	\$31,138,476
TOTAL PVFB	\$80,528,931	\$8,576,292	\$89,105,223
PAY AS YOU GO EXPENSE			
TOTAL	\$4,099,774	\$130,586	\$4,230,361

VALUATION RESULTS

3 - 2

The following table provides the Actuarial Accrued Liability, Annual Required Contribution (ARC), and Net OPEB Obligation for each cost method. The ARC is calculated assuming an amortization period of 30 years (maximum allowed by GASB 45).

	COST METHOD				
	UNIT CREDIT	ENTRY AGE NORMAL	AGGREGATE	FROZEN ENTRY AGE	FROZEN ATTAINED AGE
ACTUARIAL ACCRUED LIABILITY (AAL)					
EXPLICIT SUBSIDY (RHC)	\$64,938,404	\$73,772,738	\$0	\$73,772,738	\$64,938,404
IMPLICIT SUBSIDY	\$4,749,037	\$6,396,396	\$0	\$6,396,396	\$4,749,037
TOTAL	\$69,687,441	\$80,169,134	\$0	\$80,169,134	\$69,687,441
UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)					
EXPLICIT SUBSIDY (RHC)	\$31,305,398	\$40,139,732	\$0	\$40,139,732	\$31,305,398
IMPLICIT SUBSIDY	\$4,749,037	\$6,396,396	\$0	\$6,396,396	\$4,749,037
TOTAL	\$36,054,435	\$46,536,128	\$0	\$46,536,128	\$36,054,435
ANNUAL REQUIRED CONTRIBUTION (ARC)					
1. LEVEL PERCENTAGE OF PROJECTED PAYROLL					
NORMAL COST	\$2,157,365	\$1,483,747	\$9,543,022	\$1,537,297	\$3,340,489
INTEREST COST	\$211,897	\$195,451	\$572,581	\$198,664	\$282,885
AMORTIZATION					
PAYMENT	\$1,374,254	\$1,773,775	\$0	\$1,773,775	\$1,374,254
TOTAL	\$3,743,516	\$3,452,973	\$10,115,604	\$3,509,737	\$4,997,628
2. LEVEL DOLLAR					
NORMAL COST	\$2,157,365	\$1,483,747	\$9,543,022	\$1,537,297	\$3,340,489
INTEREST COST	\$277,705	\$280,391	\$572,581	\$283,604	\$348,692
AMORTIZATION					
PAYMENT	\$2,471,052	\$3,189,433	\$0	\$3,189,433	\$2,471,052
TOTAL	\$4,906,122	\$4,953,571	\$10,115,604	\$5,010,334	\$6,160,234
NET OPEB OBLIGATION *					
TOTAL	\$0	\$0	\$0	\$0	\$0

* At transition, the Net OPEB Obligation is zero.

IMPACT of 1% CHANGE IN MEDICAL TREND RATES

4 - 1

The following exhibit illustrates the impact of 1% increase in the health care trend rates:

	COST METHOD				
	UNIT CREDIT	ENTRY AGE NORMAL	AGGREGATE	FROZEN ENTRY AGE	FROZEN ATTAINED AGE
ACTUARIAL ACCRUED LIABILITY (AAL)					
TOTAL	\$78,354,180	\$91,444,872	\$0	\$91,444,872	\$78,354,180
UNFUNDED ACTUARIAL ACCRUED LIABILITY (AAL)					
TOTAL	\$44,721,174	\$57,811,866	\$0	\$57,811,866	\$44,721,174
ANNUAL REQUIRED CONTRIBUTION (ARC)					
1. LEVEL PERCENTAGE OF PROJECTED PAYROLL					
NORMAL COST	\$2,613,080	\$1,865,816	\$11,906,788	\$1,961,270	\$4,213,294
INTEREST COST	\$259,061	\$244,163	\$714,407	\$249,890	\$355,073
AMORTIZATION PAYMENT	\$1,704,596	\$2,203,562	\$0	\$2,203,562	\$1,704,596
TOTAL	\$4,576,737	\$4,313,540	\$12,621,195	\$4,414,722	\$6,272,963
2. LEVEL DOLLAR					
NORMAL COST	\$2,613,080	\$1,865,816	\$11,906,788	\$1,961,270	\$4,213,294
INTEREST COST	\$340,687	\$349,683	\$714,407	\$355,410	\$436,700
AMORTIZATION PAYMENT	\$3,065,042	\$3,962,235	\$0	\$3,962,235	\$3,065,042
TOTAL	\$6,018,810	\$6,177,734	\$12,621,195	\$6,278,915	\$7,715,036
IMPACT OF TREND INCREASE					
ACTUARIAL ACCRUED LIABILITY (AAL)					
TOTAL	\$8,666,739	\$11,275,738	\$0	\$11,275,738	\$8,666,739
% CHANGE	12.4%	14.1%	0.0%	14.1%	12.4%
UNFUNDED ACTUARIAL ACCRUED LIABILITY (AAL)					
TOTAL	\$8,666,739	\$11,275,738	\$0	\$11,275,738	\$8,666,739
% CHANGE	24.0%	24.2%	0.0%	24.2%	24.0%
ANNUAL REQUIRED CONTRIBUTION (ARC)					
1. LEVEL PERCENTAGE OF PROJECTED PAYROLL					
NORMAL COST	\$455,715	\$382,069	\$2,363,765	\$423,972	\$872,805
INTEREST COST	\$47,163	\$48,711	\$141,826	\$51,226	\$72,189
AMORTIZATION PAYMENT	\$330,342	\$429,787	\$0	\$429,787	\$330,342
TOTAL	\$833,221	\$860,567	\$2,505,591	\$904,985	\$1,275,336
% CHANGE	22.3%	24.9%	24.8%	25.8%	25.5%
2. LEVEL DOLLAR					
NORMAL COST	\$455,715	\$382,069	\$2,363,765	\$423,972	\$872,805
INTEREST COST	\$62,982	\$69,292	\$141,826	\$71,806	\$88,008
AMORTIZATION PAYMENT	\$593,990	\$772,802	\$0	\$772,802	\$593,990
TOTAL	\$1,112,687	\$1,224,163	\$2,505,591	\$1,268,581	\$1,554,802
% CHANGE	22.7%	24.7%	24.8%	25.3%	25.2%

The analysis assumes that NDPERS will not be filing for the Medicare Part D employer subsidy, thus there is no impact on the AAL and the ARC.

Valuation Date

July 1, 2005

Discount Rate

8.0% per Annum (consistent with Pension and Retiree Health Credit valuations)

Attribution Method

The Unit Credit, Entry Age, Aggregate, Frozen Entry Age, and Frozen Attained Age cost methods were used for this analysis. The cost methods were used assuming a service (i.e. level dollar) basis. The service basis was used because of the assumed nature of retiree health insurance benefits, which accrue based on service length, rather than earnings.

Amortization Method

The Unfunded Actuarial Accrued Liability is amortized over the maximum acceptable period of 30 years. It is calculated on both a level percentage of projected payroll and a level dollar amount.

Assets

The market value of the assets in the Retiree Health Credit fund is \$33,633,006 as of June 30, 2005.

Health Care Cost Trend

The following annual trend rates are applied on a select and ultimate basis:

<65		65+	
Select	Ultimate	Select	Ultimate
12.0%	6.0%	11.0%	6.0%

Select trends are reduced 0.5% each year until reaching the ultimate trend.

Expected Monthly Costs

The expected monthly costs used in this analysis reflect the actual premiums paid for the pre-65 and post-65 Single retiree coverage. We have reviewed the claim experience for the NDPERS retiree population and determined that the premiums for Single contracts are sufficient for retired employees and their spouses. The current expected monthly costs are provided in the table below:

	<65	65+
Expected Cost	\$390.92	\$218.40

It is important to note that due to this assumption, there is an implicit subsidy for retired spouses aged 65 and over. We believe that spouses of retirees who are age 65 and older are being implicitly subsidized approximately \$9.56 per month.

Retirement Age

Retirement probabilities for Main System members are based on the age of the employee. Sample retirement ages and the associated annual probabilities of retirement are as follows:

Age	Annual Probability
0	0.0%
55	4.0%
57	6.0%
60	8.0%
62	35.0%
65	40.0%
67	20.0%
70	100.0%

Retirement probabilities for Judges begin at age 65. Thirty-five percent of Judges are assumed to retire at each age from 62 to 64, 50% are assumed to retire at each age from 65 to 69, and 100% of the remaining are assumed to retire at age 70.

Retirement for members of the National Guard, Law Enforcement, and Highway Patrol is assumed to occur at age 60.

Mortality

1983 Group Annuity Mortality Table, applied on a gender-specific basis

Termination

For all employees except Judges, the rate of withdrawal for reasons other than death and retirement are dependent on factors including length of service, employee age, and gender.

In the first five years of services, the assumed withdrawal rates are as follows:

Years of Service	AGE		
	Less than 30	30-39	40 & Over
1	23%	17%	15%
2	20%	15%	12%
3	17%	13%	10%
4	16%	12%	8%
5	15%	11%	6%

After five years of services, the assumed withdrawal rates are as follows:

Age	Male	Female
20-24	12%	12%
25-29	8%	10%
30-34	5%	8%
35-39	4%	6%
40-44	3%	5%
45-49	3%	4%
50+	2%	3%

For Judges, withdrawal rates at each age are 50% of the rate for members of the Main System, National Guard, and Law Enforcement with at least five years of service.

Plan Participation Percentage

The percentage of eligible employees and their spouses who participate in the retiree health plan is dependent on the years of service at retirement. We have assumed that a one-time irrevocable election to participate is made at retirement.

The expected participation rates are as follows:

Years of Service	Main System, National Guard and Law Enforcement	Judges and Highway Patrol
Less than 3	0%	0%
3-4	25%	0%
5-9	50%	50%
10-14	70%	70%
15-19	80%	80%
20-24	95%	95%
25+	100%	100%

Dependent Composition at Retirement

The assumed number of eligible dependents is based on the current proportions of single and family contracts.

Salary Increase Assumption

5.0% per Annum

Medicare Part D Prescription Drug Subsidy

This analysis assumes that NDPERS is not planning on filing for the Medicare Part D employer subsidy and that there are no changes to the current drug plan to reflect Medicare Part D.

Eligibility

The eligibility for the retiree health plan varies depending on the type of employee:

Main System and Judges

Employee must be a minimum of age 65 or age plus service must equal at least 85.

National Guard

Employee must be a minimum of age 55 with three consecutive years of service.

Law Enforcement

Employee must be a minimum of age 55 with three consecutive years of service or age plus service must equal at least 85.

Highway Patrol

Employee must be a minimum of age 55 with ten years of service or age plus service must equal at least 80.

Plan Design

Eligible retirees receive health care coverage through one of two medical plans: the Dakota Plan or the Dakota Retiree Plan. The Dakota Plan is available until a retired employee or their covered dependent(s) become eligible for Medicare. Upon attaining Medicare eligibility, a member can enroll in the Dakota Retiree Plan.

A summary of the key plan design features for each plan is provided in the tables below:

Dakota Plan

	EPO	PPO	Basic
Deductible (3X Family)	\$100	\$250	\$250
Coinsurance	85%	80%	75%
Coins. Max. (2X Family)	\$500	\$750	\$1,250
E.R. Copayment	\$50	\$50	\$50
Office Visit Copayment	\$15	\$20	\$25
Rx Drug Copay			
Generic *	\$5 and 15% Coinsurance		
Preferred Brand *	\$15 and 25% Coinsurance		
Non-Preferred Brand	\$25 and 50% Coinsurance		
* OOP Maximum	* Covered at 100% after \$1,000		

Dakota Retiree Plan

	In-Network	Out-of-Network
Hospital Deductible	\$250	\$250
Hospital Coinsurance	80%	75%
Physician Coinsurance	80% of Medicare's Balance	75% of Medicare's Balance
Rx Drug Copay		
Generic *	\$5 and 15% Coinsurance	
Preferred Brand *	\$15 and 25% Coinsurance	
Non-Preferred Brand	\$25 and 50% Coinsurance	
* OOP Maximum	* Covered at 100% after \$1,000	

Required Monthly Contributions

Contributions are required for both retiree and dependent coverage. These contributions reflect the actual fully insured premiums and are dependent on family size and Medicare eligibility for a retiree/dependent.

The current contribution amounts are provided in the table below.

Dakota Plan (Non-Medicare Retiree)	
Rate Tier	Monthly Contribution
Single	\$390.92
Family	\$781.86
Family (3+)	\$977.32

Dakota Retiree Plan (Medicare Retiree)	
Rate Tier	Monthly Contribution
Single	\$218.40
Family	\$427.24
Family (One Non-Medicare)	\$537.90

These rates remain in effect until June 30, 2007. After this date, we have assumed that retiree contributions are assumed to increase with medical trend.

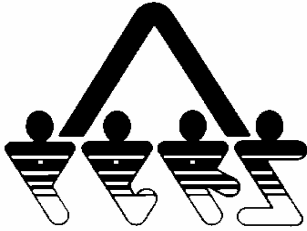
Retiree Health Insurance Credit

Any member receiving a monthly retirement benefit from NDPERS, NDHPRS, or Job Service Retirement Plan and who is participating in the Dakota or Dakota Retiree Health Plan will be eligible for a retiree health insurance credit. The retiree health insurance credit will be used to reduce the amount of the monthly premium. The retiree health insurance credit can not be used to reduce premiums for other health coverage provided through another employer or independent group.

The retiree health insurance credit is worth up to \$4.50 per month for every year of retirement service credit. This amount is subject to reduction due to early retirement. We have assumed that this amount does not increase in the future.

A summary of the current active employee and retired population for NDPERS is provided in the tables below:

Age Group	ACTIVE POPULATION				RETIRED EMPLOYEES
	Fully Eligible	Not Fully Eligible	Total		
<40	0	6,612	6,612		0
40-44	0	3,403	3,403		0
45-49	0	4,263	4,263		0
50-54	51	4,301	4,352		11
55-59	292	3,085	3,377		92
60-64	244	1,507	1,751		311
65-69	487	0	487		1,216
70-74	159	0	159		1,163
75-79	41	0	41		883
80-84	5	0	5		524
85+	1	0	1		413
Total	1,280	23,171	24,451		4,613



North Dakota
Public Employees Retirement System
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Sparb Collins
Executive Director
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FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Deb Knudsen

DATE: August 8, 2007

SUBJECT: Monthly LASR Update

Attached is the monthly LASR report received from L. R. Wechsler, Ltd. I will be at the board meeting if you have any further questions.



L.R. Wechsler, Ltd.

North Dakota Public Employees Retirement System

Legacy Application System Review Project

Monthly Status Report – July 31, 2007

Activities and tasks accomplished this reporting period

- Procurement Activities
 - Various calls and conversations with Deb Knudsen regarding revisions to contract.
 - Signed contract between Sagitec and NDPERS was delivered on or about July 23.

Activities planned for the next month

- Procurement Activities
 - Plans are made for a presentation to the board on August 16 (Leon and Andy will present).
 - A “lessons learned” sessions will take place following the board presentation.

Problems Encountered this Period

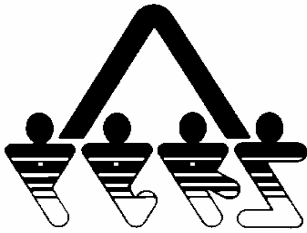
- None

Reconciliation of Progress

- None

Problems Anticipated Next Period

- None



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Memorandum

TO: PERS Board

FROM: Deb & Sparb

DATE: August 8, 2007

SUBJECT: L. R. Wechsler, Ltd. Contract

As we enter into the next phase of the LASR project, we need to decide if we should continue to retain L.R. Wechsler, Ltd. (LRWL) to provide oversight project management and quality assurance support. These services were put out to bid as part of the RFP process about a year ago that resulted in NDPERS hiring LRWL. That RFP indicated that efforts for this phase were contingent upon the Board's approval. Staff is recommending that we continue with LRWL since they have worked with NDPERS on the previous phases and the proposed fees are within the amount budgeted.

LRWL is proposing one change from the original proposal. As you are aware, due to migration issues, implementation of Phase IV was moved to a later date. Changing the date from July 1st to October 1st resulted in LRWL having to substitute staff. To facilitate this change, Andy Flewelling, our previous principal from LRWL will work to transition Anne Bahr into the LASR project and he will be available as a resource should we need to consult him. Included for your information is Anne Bahr's resume as well as a letter from Leon Wechsler detailing planned transition activities, LASR activities, as well as providing additional information regarding Ms. Bahr. Ms. Bahr currently is not a certified Project Management Planner (PMP) like Andy Flewelling was. However, we have been assured that she will obtain that qualification very soon. Given her background and experience, it appears reasonable that she will be able to obtain this designation.

Also incorporated in Leon's letter is the projected cost of services for this phase, ranging from \$956,894 to \$1,050,499. This reflects the assumption that Anne Bahr would devote 70% of her work week to NDPERS. However, LRWL has agreed to review this level of effort every six months and based upon this review, NDPERS may elect to reduce her role, depending on NDPERS needs as the project progresses. If the estimated time requirements are reduced, then the total project costs will be reduced. The price of LRWL's services initially appeared to staff to be on the high end when compared to the project

management services prices provided by OMB's procurement services website. However, NDPERS ITD Project Oversight Representative, Dirk Huggett, indicates that since a significant amount of the work being contracted relates to change management, which requires knowledge of retirement & benefits systems, the cost does not appear to be unreasonable and it would be difficult to find another vendor with similar experience for a lower price.

Staff recommendation:

Proceed with hiring LRWL for Phase IV, to be reviewed and re-negotiated if necessary, every six months.



L.R. Wechsler, Ltd.

**10394 Democracy Lane Fairfax, VA 22030 or www.lrwl.com
Voice: (703) 385-3440 FAX: (703) 385-4491 E-Mail: info@lrwl.com**

August 2, 2007

Delivered By E-mail

Mr. Sparb Collins
Executive Director
North Dakota Public Employees' Retirement System
Suite 505
400 East Broadway
Bismarck, ND 58502

Dear Sparb:

Pursuant to our discussions on Wednesday, attached is a copy of Anne Bahr's resume.

In addition to that material, we'd like to point out other attributes that we feel are important to assigning Anne to the NDPERS project:

- She knows Rick Deshler, the Sagitec Project Manager and principal, very well – and has worked with him in the past (when he was LRWL's OPM/QA consultant for the City of Milwaukee project); that experience and their mutual respect would bode very well for the project
- She knows a number of the Sagitec staff members who may be assigned to the effort – based on their previous involvement in the City of Milwaukee project while they were employed by Saber (formerly Covansys)
- She is familiar with LRWL's OPM/QA methodology and tools – since she retained our firm for 3 years to assist in the success of the City of Milwaukee new retirement system project
- She is familiar with LRWL – our staff, style, management, and culture – having worked with us (as the customer) since 1995 on planning activities related to the Global Pension Settlement project.

Additionally, we commit to the following:

- We will have Anne available for a phone or in person interview
- We will have Anne obtain PMP certification prior to the 10/1/07 project start date
- We will have Anne become familiar with ITD's processes related to project management prior to the start of the project
- We will have Anne and Andy Flewelling spend time (after Anne reviews pertinent project artifacts, i.e., Feasibility Study, RFP, Proposal, RTM, the Contract, etc.) coming up to speed on the project (at no cost to NSPERS)
- We will have Anne participate in some project 'pre-planning' sessions in September – first with PERS and ITD and then with Sagitec, prior to the 10/1/07 official project start date.

You also asked about the cost and pricing model; below we summarize that information (which is the Staffing Model B information provided previously):

- Project Sponsor (Wechsler/Lott) \$195/hr. (estimated at 5% of total hours)
- Project Director (Bahr) \$175/hr. (estimated at 85% of total hours)
- Senior Consultant (Hutchins) \$155/hr. (estimated at 10% of total hours)

Expenses are estimated at \$19/hr.

The range of costs for the 34 month effort would be between \$956,894 to \$1,050,499 – as previously described in our March 19 revised proposal. We suggest initially starting the effort with a 70% level of participation, as suggested in Deb's email - and reviewing and revising it at the end of 90 days for the subsequent 6 months ... and reviewing and revising at 6 month intervals.

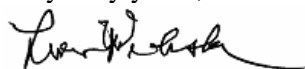
In closing, we want to reiterate our commitment to NDPERS, the project, and the role of Oversight Project Management in terms of (at a minimum) all of the tasks identified in Table 3 of the March 19 revised proposal (replicated below):

#	Task	Once	Weekly	Monthly	Yearly	As Needed	Per Phase				
							Planning	Requirements	Infrastructure	Rollout 1	Rollout 2
1	Contract Execution	✓									
2	Establish Working Spaces for Vendor and Oversight Consultant	✓									
3	Review and Update Project Workplan, Staffing Assignments, etc.	✓		✓							
4	Communication Protocols Established	✓									
5	Project Team Kick-Off Meeting	✓									
6	Staff Project Kickoff Meeting	✓									
7	Establish Project Management Office	✓									
8	Create a Requirements Traceability Matrix (RTM)	✓		✓							
9	Determine Requirements Tracking Method	✓		✓							
10	Confirmation of Technical Requirements	✓									
11	Configure Server Room (if necessary)	✓									
12	Order Hardware / Software	✓									
13	Install, Configure, and Test Hardware / Software	✓									
14	Confirmation of Business Requirements (JADs, Use Cases, etc.)							✓			
15	Develop Requirements Document Formats and Content	✓									
16	Develop Design Document Formats and Contents.	✓									
17	Review of Design Documents									✓	✓
18	Review of Build Components									✓	✓
19	Review of Testing Procedures, Test Methodology, and Test Cases	✓									
20	Review of Training Approach and Training Materials	✓									
21	Execution, Management, and Reporting of Testing Activities and Error Resolution									✓	✓
22	Execution, Management, and Reporting of Training Activities									✓	✓
23	Review of Data Conversion Approach and Data Mapping	✓									
24	Confirmation of Data Requirements	✓									

#	Task	Once	Weekly	Monthly	Yearly	As Needed	Per Phase				
							Planning	Requirements	Infrastructure	Rollout 1	Rollout 2
25	Review of Data Cleansing Approach and Fixes	✓									
26	Review of "Mock" Conversion Procedures and Results					✓					
27	Review of Data Bridging Approach and "Test" Data Bridges	✓									
28	Review of Statements of Work (SOWs) or Task Statements					✓					
29	Review of Project Deliverables, Tracking, and Sign-Off					✓					
30	Participation in Team Building Activities					✓					
31	Participation in Business Process Reengineering (BPR) Sessions / Recommendations					✓					
32	Review and Address Updates to Past Policy and Procedures Documents						✓				
33	Review of Periodic Project Workplan, Schedule Revisions / Updates			✓							
34	Implement / Manage the Issues Management Process	✓		✓							
35	Management of Project Invoices and Payments					✓					
36	Preparation and Participation in Weekly or Bi-monthly Status Meeting		✓								
37	Preparation and Participation in Monthly Steering Committee Meetings			✓							
38	Preparation and Presentation at Board Meetings (as requested)					✓					
39	Review of Rollout / Implementation Plans									✓	✓
40	Development and Participation in Implementation "Go vs. No-Go" Decisions									✓	✓
41	Assistance with Production "User Support"									✓	✓
42	Establishment of Internal "Help Desk"	✓									
43	Creation of Employer Transition Plan	✓									
44	Education of Employers based on New Reporting Formats, Methods, etc.									✓	✓
45	Establishment of Employer Web Reporting "Help Desk"	✓									
46	Assistance with Change Control Management	✓		✓							
47	Establishment of Warranty vs. Support Assistance									✓	✓
48	Determination of Post-Warranty Support Needed	✓									
49	Determination of a Direction Regarding Disaster Recovery and/or Business Continuity Planning	✓			✓						
50	Contract Closure Activities	✓									
51	Lessons Learned	✓									

Looking forward to continuing our long term and mutually rewarding relationship, I remain

Very truly yours,



Leon R. Wechsler
President

ANNE M. BAHR

SUMMARY

Ms. Bahr is a highly skilled professional manager who brings to her assignments over 34 years of experience in the government finance sector, including an extensive background in the management of a governmental accounting office and a public employee retirement system; immediately prior to joining LRWL, she served as Executive Director of a major municipal public employees pension fund – City of Milwaukee Employees Retirement System (CMERS). In that position, she successfully led a team of highly motivated managers, staff, trustees, and independent consultants in achieving major improvements in pension operations, including implementation of a comprehensive pension management information system.

EDUCATION

B.A., Accounting and Business Administration, University of Wisconsin Whitewater
Completed course work for MBA, Marquette University

PROFESSIONAL EXPERIENCE

1999 – 2006, City of Milwaukee Employees' Retirement System

As Executive Director of CMERS, she sponsored and led (both the day-to-day and strategic efforts of) the design and implementation of a new Pension Management Information System (PMIS) including enrollment, wage and contribution reporting, retirement processing, and payroll processing – as well as the administration of additional benefits. As part of this effort, over 1 million paper documents were converted to digital images, indexed, and integrated into the new pension system. She led efforts to: justify and plan the project, ensure its successful implementation, and manage and control schedules, budgets, and staff and other resources – seeking solutions to complex challenges with the vendor, the Board, the City, and other stakeholders.

Ms. Bahr also led the implementation of a Global Pension Settlement (GPS) project that was approved by the court; it provided 17 new benefits valued at \$500 million to over 25,000 active and retired members. This date- and deliverables-based project resulted in changes (both retrospectively and prospectively) to benefits delivery to the plan participants. It required complex analysis; planning; execution; process, procedure, and automated tool design; documentation; and use by staff.

During her tenure as Executive Director, she led the reorganization of the department, hired a new management team, implemented change and process improvements/management, improved customer service, assisted in the settlement of numerous lawsuits, and eliminated backlogs in all operational areas. She provided day-to-day oversight for 40 full time employees and up to 30 subcontractors with the assistance of a dedicated management team. At monthly board and semi-monthly committee meetings, she acted as Secretary to the Board of Trustees, assisting the Chairman.

1972 – 1998, City Comptroller’s Office, Milwaukee, WI

In her role as Accounts Director, Special Deputy Comptroller starting in 1990, Ms. Bahr:

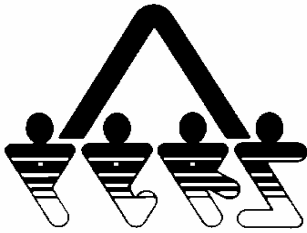
- Represented the Comptroller (elected official) at governmental committee meetings
- Provided oversight to general accounting operations, including payroll, accounts payable, preparation of the annual financial report, development of indirect cost rates and grant and aid accounting and reporting
- Assisted in the design and implementation of a new Financial Management Information System including general ledger, accounts payable, and payroll.

Previously from 1984 to 1989, as Grant-in-Aid Fiscal Coordinator, Ms. Bahr managed 12 professional and support staff in the administration of government grants totaling over \$25 million. She provided independent oversight to sub-grantees. She was also responsible for the production of the annual Single Audit Report and development of the city’s Indirect Cost Allocation Plan.

From 1972 through 1988, progressing from Accountant I to Accountant II to Accountant III, Ms. Bahr was responsible for the preparation of monthly and quarterly grants and aid reports and fiscal oversight of federal dollars provided to community based organizations.

REFERENCES

- W. Martin Morics, City of Milwaukee Comptroller, Chairman Annuity and Pension Board (414-286-2301)
- Michael Haley, Financial Officer Employees’ Retirement System (414-803-3265)



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
Bismarck, North Dakota 58502-1657

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Deb

DATE: August 8, 2007

SUBJECT: Administrative Rules

Attached are the proposed administrative rules developed by staff for your review. The proposed rules resulted in response to legislation that was passed since the last time the rules were promulgated as well as to reflect Board policy or clarify or update existing language. Amendments relating to Board elections are covered under a separate memo from Aaron Webb. A draft of the notice of hearing and summary of rules is also included. It is our understanding that there are no new provisions relating to the promulgation of rules this year. Per Aaron, based upon the content of the rules being proposed, NDPERS does not need to complete a Regulatory Analysis, Takings Assessment or a Small Entity Economic Impact Statement. However, we will need to conduct a Small Entity Regulatory Analysis. The results of this analysis will be brought to the next Board meeting.

As in the past, we are providing these rules for your review and consideration. They will be brought back at the September meeting for your final approval along with the above referenced analysis results.

Please contact me if you have questions or concerns. Staff will also be available at the Board meeting to address any questions.

2007 Legislation Implementation (Last Rev. 8/08/07)

Legislation	Implementation	Comments
<p>House Bill No. 1078 SECTION 1. AMENDMENT. Section 15-39.1-09 of the North Dakota Century Code is amended and reenacted as follows: 15-39.1-09. Membership in fund and assessments - Employer payment of employee contribution. 1. Except as provided in subsection 2 of section 15-39.1-10.3 and subsection <u>subsections 3 and 4</u>, every teacher is a member of the fund and must be assessed upon the teacher's salary seven and seventy-five hundredths percent per annum, which must be deducted, certified, and paid monthly to the fund by the disbursing official of the governmental body by which the teacher is employed. Every governmental body employing a teacher shall pay to the fund seven and seventy-five hundredths percent per annum of the salary of each teacher employed by it. The disbursing official of the governmental body shall certify the governmental body payments and remit the payments monthly to the fund. 2. Each employer, at its option, may pay the teacher contributions required by subsection 1 for all compensation earned after June 30, 1983. The amount paid must be paid by the employer in lieu of contributions by the employee. If an employer decides not to pay the contributions, the amount that would have been paid will continue to be deducted from compensation. If contributions are paid by the employer, they must be treated as employer contributions in determining income tax treatment under this code and the federal</p>	<p>No rule amendment required</p>	

Legislation	Implementation	Comments
<p>Internal Revenue Code. If contributions are paid by the employer, they may not be included as gross income of the teacher in determining tax treatment under this code and the Internal Revenue Code until they are distributed or made available. The employer shall pay these teacher contributions from the same source of funds used in paying compensation to the teachers. The employer shall pay these contributions by effecting an equal cash reduction in the gross salary of the employee or by an offset against future salary increases. If teacher contributions are paid by the employer, they must be treated for the purposes of this chapter in the same manner and to the same extent as teacher contributions made prior to the date the contributions were assumed by the employer. The option given employers by this subsection must be exercised in accordance with rules adopted by the board.</p> <p>3. A person, except the superintendent of public instruction, who is certified to teach in this state by the education standards and practices board and who is first employed and entered upon the payroll of the superintendent of public instruction after January 6, 2001, may elect to become a participating member of the public employees retirement system. An election made by a person to participate in the public employees retirement system under this subsection is irrevocable. Nonteaching employees of the superintendent of public instruction, including the superintendent of public instruction, may elect to transfer to the public employees retirement system pursuant to section 54-52-02.13. <u>Employees of the state</u></p>		

Legislation	Implementation	Comments
<p><u>board for career and technical education may elect to transfer to the public employees retirement system pursuant to section 3 of this Act.</u></p> <p><u>4. An individual who is first employed and entered upon the payroll of the state board for career and technical education after the effective date of this Act may elect to become a participating member of the public employees retirement system. An election made by an individual to participate in the public employees retirement system under this subsection is irrevocable.</u></p>		
<p>SECTION 2. AMENDMENT. Subsection 4 of section 54-52-01 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>4. "Eligible employee" means all permanent employees who meet all of the eligibility requirements set by this chapter and who are eighteen years or more of age, and includes appointive and elective officials under sections 54-52-02.5, 54-52-02.11, and 54-52-02.12, and nonteaching employees of the superintendent of public instruction, including the superintendent of public instruction, who elect to transfer from the teachers' fund for retirement to the public employees retirement system under section 54-52-02.13, <u>and employees of the state board for career and technical education who elect to transfer from the teachers' fund for retirement to the public employees retirement system under section 3 of this Act.</u> Eligible employee does not include nonclassified state employees who elect to become members of the retirement plan established under chapter 54-52.6 but does include employees of the judicial branch and employees of the board of higher education</p>	<p>No rule amendment required</p>	

Legislation	Implementation	Comments
and state institutions under the jurisdiction of the board.		
<p>SECTION 3. A new section to chapter 54-52 of the North Dakota Century Code is created and enacted as follows:</p> <p><u>Participation by employees of the state board for career and technical education.</u></p> <p><u>Notwithstanding any other provision of law, between the effective date of this Act and five p.m. on August 31, 2007, an employee of the state board for career and technical education who is otherwise eligible to participate in the public employees retirement system may file an election with the staff of the retirement and investment office to transfer from the teachers' fund for retirement to the public employees retirement system. The teachers' fund for retirement shall certify the employees who are eligible to transfer. An election to transfer is irrevocable for as long as the employee remains employed with the state board for career and technical education. The teachers' fund for retirement shall certify a transferring employee's salary, service credit, contribution history, account balance, and any other necessary information to the public employees retirement system. The amount to be transferred is the greater of the actuarial present value of the employee's accrued benefit as of July 1, 2007, plus interest at the rate of seven and one-half percent from July 1, 2007, until the date the amount is transferred to the public employees retirement system or the employee's account balance on the date of transfer. The public employees retirement system shall credit the transferring employee with the service credit specified by the teachers' fund for retirement and shall</u></p>	No rule amendment required	

Legislation	Implementation	Comments
<p><u>convert the annual salary history from the teachers' fund for retirement to a monthly salary for the period. An employee becomes a member of the public employees retirement system as of the date the funds are transferred. To be eligible to transfer, an employee must be employed by the state board for career and technical education on the date of the transfer. The state board for career and technical education shall begin making retirement contributions, and the public employees retirement system shall begin receiving those retirement contributions, on behalf of employees who have elected to transfer to the public employees retirement system to that system the first of the month following the date of transfer.</u></p>		
<p>SECTION 4. AMENDMENT. Subsection 1 of section 54-52.1-03.2 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>1. The board shall establish a retiree health benefits fund account with the Bank of North Dakota for the purpose of prefunding and providing hospital benefits coverage and medical benefits coverage under the uniform group insurance program for retired eligible employees or surviving spouses of retired eligible employees and their dependents as provided in this chapter. The state shall contribute monthly to the retiree health benefits fund an amount equal to one percent of the monthly salaries and wages of all participating members of the highway patrolmen's retirement system under chapter 39-03.1, and one percent of the monthly salaries of all supreme or district court judges who are participating members of the public employees retirement system under</p>	<p>No rule amendment required</p>	

Legislation	Implementation	Comments
<p>chapter 54-52. Each governmental unit that contributes to the public employees retirement system fund under section 54-52-06 or the retirement plan under chapter 54-52.6 shall contribute monthly to the retiree health benefits fund an amount equal to one percent of the monthly salaries or wages of all participating members of the public employees retirement system under chapter 54-52 or chapter 54-52.6, except for nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13 and <u>employees of the state board for career and technical education who elect to participate in the public employees retirement system pursuant to section 3 of this Act.</u> For nonteaching employees of the superintendent of public instruction who elect to participate in the public employees retirement system pursuant to section 54-52-02.13, the superintendent of public instruction shall contribute monthly to the retiree health benefits fund an amount equal to three and one-tenth percent of the monthly salaries or wages of those nonteaching employee members, beginning on the first of the month following the transfer under section 54-52-02.13 and continuing thereafter for a period of eight years, after which time the superintendent of public instruction shall contribute one percent of the monthly salary or wages of those nonteaching employee members. <u>For employees of the state board for career and technical education who elect to participate in the public employees retirement system pursuant to section 3 of this Act, the state board for career and technical</u></p>		

Legislation	Implementation	Comments
<p><u>education shall contribute monthly to the retiree health benefits fund an amount equal the two and eighty-five hundredths percent of the monthly salary or wages of those employee members, beginning on the first of the month following the transfer under section 3 of this Act and continuing thereafter for a period of eight years, after which time the state board for career and technical education shall contribute one percent of the monthly salary or wages of those employee members.</u> The employer of a national guard security officer or firefighter shall contribute monthly to the retiree health benefits fund an amount equal to one percent of the monthly salaries or wages of all national guard security officers or firefighters participating in the public employees retirement system under chapter 54-52. Job service North Dakota shall reimburse monthly the retiree health benefits fund for credit received under section 54-52.1-03.3 by members of the retirement program established by job service North Dakota under section 52-11-01. The board, as trustee of the fund and in exclusive control of its administration, shall:</p> <p>a. Provide for the investment and disbursement of moneys of the retiree health benefits fund and administrative expenditures in the same manner as moneys of the public employees retirement system are invested, disbursed, or expended.</p> <p>b. Adopt rules necessary for the proper administration of the retiree health benefits fund, including enrollment procedures.</p>		
<p>SECTION 5. APPROPRIATION. There is appropriated out of any moneys in the public employees retirement fund, not otherwise appropriated, the sum of \$3,000, or so much of</p>	<p>No rule amendment required</p>	

Legislation	Implementation	Comments
<p>the sum as may be necessary, to the public employees retirement system for the purpose of implementing this Act, for the biennium beginning July 1, 2007, and ending June 30, 2009.</p>		
<p>House Bill No. 1179 54-52.1-03.1. Certain political subdivisions authorized to join uniform group insurance program - Employer contribution. A political subdivision may extend the benefits of the uniform group insurance program under this chapter to its permanent employees, subject to minimum requirements established by the board and a minimum period of participation of sixty months. If the political subdivision withdraws from participation in the uniform group insurance program, before completing sixty months of participation, the political subdivision shall make payment to the board in an amount equal to any expenses incurred in the uniform group insurance program that exceed income received on behalf of the political subdivision's employees as determined under rules adopted by the board. <u>The Garrison Diversion Conservancy District, and district health units required to participate in the public employees retirement system under section 54-52-02, shall participate in the uniform group insurance program under the same terms and conditions as state agencies.</u> A retiree who has accepted a retirement allowance from a participating political subdivision's retirement plan may elect to participate in the uniform group under this chapter without meeting minimum requirements at age sixty-five, when the employee's spouse reaches age sixty-five, upon the receipt of a benefit, when the political subdivision joins the uniform group insurance</p>	<p>No rule amendment required</p>	

Legislation	Implementation	Comments
<p>plan if the retiree was a member of the former plan, or when the spouse terminates employment. If a retiree or surviving spouse does not elect to participate at the times specified in this section, the retiree or surviving spouse must meet the minimum requirements established by the board. Each retiree or surviving spouse shall pay directly to the board the premiums in effect for the coverage then being provided. The board may require documentation that the retiree has accepted a retirement allowance from an eligible retirement plan other than the public employees retirement system.</p>		
<p>Senate Bill 2044 39-03.1-11.3. Supplemental retiree benefit payment. If the board determines that the fund has obtained a total return on investments of eleven and two-tenths <u>nine and six hundredths</u> percent or higher for the fiscal year ending June 30, 2005 <u>2007</u>, or June 30, 2006 <u>2008</u>, and that the fund has the necessary margin to pay for the benefit, the board shall authorize a payment to each retiree receiving benefit payments under this chapter as of the date of the fiscal yearend in the amount of fifty percent of the retiree's then current monthly benefit payment. The payment must be made the January following the fiscal yearend <u>an additional payment equal to seventy-five percent of the January retirement allowance following the fiscal yearend to each eligible retiree in pay status as of that January, including joint and survivor and term certain beneficiaries, under this chapter.</u> The board may only make one payment under this section.</p>	<p>No rule amendment required</p>	

Legislation	Implementation	Comments
<p>54-52-17.11. Judges postretirement adjustments. A supreme or district court judge or that person's beneficiary who, on December 31, 2004 <u>2007</u>, is receiving retirement benefits under subdivision b of subsection 4 of section 54-52-17, is entitled to receive an increase in benefits equal to two percent of the individual's present benefits with the increase payable beginning January 1, 2002 <u>2008</u>. A supreme or district court judge or that person's beneficiary who, on December 31, 2002 <u>2008</u>, is receiving retirement benefits under subdivision b of subsection 4 of section 54-52-17, is entitled to receive an increase in benefits equal to two percent of the individual's present benefits with the increase payable beginning January 1, 2003 <u>2009</u>. <u>The increases allowed by this section may only be given if the public employees retirement board determines there is actuarial margin sufficient to pay the increases.</u></p>	No rule amendment required	
<p>54-52-17.13. Supplemental retiree benefit payment. If the board determines that the fund has obtained a total return on investments of eleven and two-tenths <u>nine and six hundredths</u> percent or higher for the fiscal year ending June 30, 2005 <u>2007</u>, or June 30, 2006 <u>2008</u>, and that the fund has the necessary margin to pay for the benefit, the board shall authorize a payment to each retiree receiving benefit payments under this chapter as of the date of the fiscal yearend in the amount of fifty percent of the retiree's then current monthly benefit payment. The payment must be made the January following the fiscal yearend <u>an</u></p>	No rule amendment required	

Legislation	Implementation	Comments
<p><u>additional payment equal to seventy-five percent of the January retirement allowance following the fiscal yearend to each eligible retiree in pay status as of that January, excluding judicial retirees and beneficiaries, but including joint and survivor and term certain beneficiaries, under this chapter.</u> The board may only make one payment to each retiree under this section.</p>		
<p>Senate Bill 2045 SECTION 1. A new subsection to section 54-52.1-02 of the North Dakota Century Code is created and enacted as follows: <u>Retired medicare-eligible employee group prescription drug coverage.</u></p>	<p>71-03-01-02. Bid specifications. Bid solicitations will be for:</p> <ol style="list-style-type: none"> 1. Life insurance. 2. Hospital and medical coverages - fully insured contract. 3. Individual and aggregate stop-loss insurance. 4. Administrative services only. 5. Third-party administrators. 6. Dental insurance. 7. Vision insurance. 8. Long-term care insurance. 9. <u>Retired medicare-eligible employee group prescription drug coverage.</u> 	<p>Amendment to rule for bid solicitations for the Medicare prescription drug program (Part D)</p>
<p>SECTION 2. AMENDMENT. Subsection 3 of section 54-52.1-03.3 of the North Dakota Century Code is amended and reenacted as follows: 3. The board shall apply the credit allowable under subsection 2 to the payment of monthly premiums required of each person eligible under subsection 1 for hospital benefits coverage and medical benefits coverage under the uniform group insurance program. <u>The</u></p>	<p>71-06-01-03. For individualsretirees receiving more than one benefit entitled to retiree health insurance credit.</p> <ol style="list-style-type: none"> 1. If an individual <u>retiree</u> is receiving more than one benefit from the public employees retirement system, or other participating system; one as a surviving spouse, and the other based upon their own service credit, the higher of the two retiree health 	<p>Amendment to rule to remove the restrictions on consolidating spouses Retiree Health Insurance Credit.</p>

Legislation	Implementation	Comments
<p><u>board shall allow spouses who each have credit under subsection 2 to combine their credits and shall apply the combined credit to the required monthly premiums under the uniform group insurance program.</u> However, if the allowable credit <u>under any circumstance</u> exceeds the monthly premium in effect for selected coverage, that amount of the credit which exceeds the premium is forfeited and may not be used for any other purpose.</p>	<p>insurance credits will be applied toward the individual's uniform group health insurance premium. Under no circumstances will these two benefits be combined. If the surviving spouse benefit is the larger of the two benefits, and is limited in duration, the individual will be eligible to utilize his or her own retiree health insurance credit upon cessation of surviving spouse benefits <u>the retiree may make application with the public employees retirement system to combine retiree health insurance credits.</u></p> <p>2. If an individual <u>retiree</u> is receiving a public employees retirement system retirement benefit as a surviving spouse and is also an active contributor to either the public employees retirement system, the highway patrol retirement system, the judges retirement system, or the job service retirement program, the individual will not be eligible for retiree health insurance credit until one of the following events occurs:</p> <p>a. The individual <u>active contributor</u> terminates employment, at which time they may receive the retiree health insurance credit as any other surviving spouse.</p> <p>b. The individual <u>active contributor</u> retires and begins receiving a benefit through an eligible retirement system, at which time they may receive the greater of their own retiree health insurance credit or the credit</p>	

Legislation	Implementation	Comments
	<p>available as a surviving spouse<u>make application with the public employees retirement system to combine retiree health insurance credits.</u></p> <p>3. If the individual <u>retiree</u> is <u>was</u> employed by a political subdivision which does not participate in the public employees retirement system health plan, and is drawing a retirement benefit or a surviving spouse benefit, the individual may receive the retiree health insurance credit as any other annuitant based upon a retiree premium.</p> <p>4. If a husband and wife are both participants of a retirement system that provides the retiree health insurance credit, and are both receiving a benefit, the retiree health insurance credit will be applied as follows:</p> <p>a. If each individual <u>retiree</u> takes a single health insurance plan under the uniform group health insurance program, each will have their respective retiree health insurance credit applied to their respective premiums.</p> <p>b. If only one individual <u>retiree</u> takes a family health plan under the uniform group health insurance program, only that individual will be able to utilize his or her retiree health insurance credit applied to the premium<u>they may make application</u></p>	

Legislation	Implementation	Comments
	<p><u>with the public employees retirement system to combine retiree health insurance credits.</u></p> <p>c. In no event will the retiree health insurance credits for both spouses be combined and applied to only one premium.</p> <p>5. Persons with service credit in more than one of the participating systems may combine that credit for retiree health insurance purposes, using the credit earned from the system the member contributed to most recently as primary.</p> <p><u>6. Retirees are responsible for making application with public employees retirement system to combine and discontinue combining retiree health insurance credits.</u></p>	
<p>54-52.1-03.4. Participation by employees of certain political subdivisions and temporary employees. An employee of a county, city, school district, district health unit, or park district that is not participating in the uniform group insurance program pursuant to section 54-52.1-03.1 and is not eligible for any other employee group health plan may elect to participate in the uniform group insurance program by completing the necessary enrollment forms and qualifying under the medical underwriting requirements established by the board.</p>	<p>71-03-07-06. Requirements for enrolling temporary employees and paid members of political subdivision boards, commissions, or associations. Each employer shall inform temporary employees and the paid members of its board, commission, or association of their right to the group insurance plan and the process necessary to enroll. Each employer shall provide each eligible member such forms as necessary to enroll in the group</p>	<p>Amendment to rule to remove the restriction on political subdivisions paying for health insurance coverage for a temporary/part-time employee.</p>

Legislation	Implementation	Comments
<p>The board may use risk-adjusted premiums for individual insurance contracts to implement the provisions of this section allowing employees of a county, city, school district, district health unit, or park district to participate in the uniform group insurance program. The county, city, school district, district health unit, or park district employee participating in the uniform group insurance program under this section shall pay monthly to the board the premiums in effect for the coverage being provided. A temporary employee <u>employed before August 1, 2007</u>, may elect to participate in the uniform group insurance program by completing the necessary enrollment forms and qualifying under the medical underwriting requirements of the program. <u>A temporary employee employed on or after August 1, 2007, is only eligible to participate in the uniform group insurance program if the employee is employed at least twenty hours per week and at least twenty weeks each year of employment.</u> The temporary employee <u>or the temporary employee's employer</u> shall pay monthly to the board the premiums in effect for the coverage being provided. A political subdivision, department, board, or agency may not make a contribution for coverage under this section. The board may employ one additional employee to implement the provisions of this section relating to participation by employees of a county, city, school district, district health unit, or park district in the uniform group insurance program.</p>	<p>insurance plan. Each employer shall collect any member contribution due and submit it along with any employer contribution to the retirement board each month. The minimum employer contribution will be determined by the retirement board. The political subdivision may not make a contribution for coverage for temporary employees. Each employer shall notify the retirement board when an eligible member is no longer eligible for the group insurance plan. The retirement board shall inform such member of options available for continuation of coverage.</p>	
<p>54-52.1-04. Board to contract for insurance. The board shall receive bids for the providing of hospital benefits coverage, medical benefits</p>	<p>71-03-01-02. Bid specifications. Bid solicitations will be for:</p>	<p>Amendment to rules for bid solicitations for the Medicare prescription drug program</p>

Legislation	Implementation	Comments
<p>coverage, life insurance benefits coverage for a specified term, and employee assistance program services; <u>may receive bids separately for retired medicare-eligible employee group prescription drug coverage</u>; and shall accept the bid of and contract with the carrier that in the judgment of the board best serves the interests of the state and its eligible employees. Solicitations must be made not later than ninety days before the expiration of an existing uniform group insurance contract. Bids must be solicited by advertisement in a manner selected by the board that will provide reasonable notice to prospective bidders. In preparing bid proposals and evaluating bids, the board may utilize</p> <p>the services of consultants on a contract basis in order that the bids received may be uniformly compared and properly evaluated. In determining which bid, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:</p> <ol style="list-style-type: none"> 1. The economy to be effected. 2. The ease of administration. 3. The adequacy of the coverages. 4. The financial position of the carrier, with special emphasis as to its solvency. 5. The reputation of the carrier and any other information that is available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services. <p>The board may reject any or all bids and, in the event it does so, shall again solicit bids as provided in this section. The board may establish a plan of self-insurance for providing health insurance benefits coverage only under an administrative services only (ASO) contract</p>	<ol style="list-style-type: none"> 1. Life insurance. 2. Hospital and medical coverages - fully insured contract. 3. Individual and aggregate stop-loss insurance. 4. Administrative services only. 5. Third-party administrators. 6. Dental insurance. 7. Vision insurance. 8. Long-term care insurance. 9. <u>Retired medicare-eligible employee group prescription drug coverage.</u> 	<p>(Part D).</p>

Legislation	Implementation	Comments
or a third-party administrator (TPA) contract.		
<p>Senate Bill 2048 SECTION 1. AMENDMENT. Subsections 7 and 8 of section 39-03.1-08.2 of the North Dakota Century Code are amended and reenacted as follows: 7. In addition to service credit identified in this section, a member <u>contributor</u> may purchase up to five years of service credit. 8. Pursuant to rules adopted by the board, the board may allow a member <u>contributor</u> to purchase service credit with either pretax or aftertax moneys, at the board's discretion. If a member <u>contributor</u> elects to purchase service credit using pretax moneys, the requirements and restrictions in subsection 2 of section 39-03.1-09 apply to the purchase arrangement.</p>	No rule amendment required	
<p>SECTION 2. AMENDMENT. Subsections 2 and 5 of section 39-03.1-11 of the North Dakota Century Code are amended and reenacted as follows: 2. Retirement benefits are based on the contributor's final average salary. Final average salary is the average of the highest salary received by the contributor for any thirty-six months employed during the last one hundred twenty months of employment. For contributors who retire <u>terminate employment</u> on or after July 1, 2009 August 1, 2010, final average salary is the average of the highest salary received by the contributor for any thirty-six months employed during the last one hundred eighty months of employment. <u>For contributors who terminate employment between July 31, 2005, and August 1, 2010, final</u></p>	<p><u>71-05-05-03.1 Payment date - Retirement benefits for late retirees.</u> <u>Except for retirement options provided in sections 71-05-05-02 and 71-05-05-03, for members who are terminated and older than the age at which they reach their normal retirement date, but who have delayed or inadvertently failed to apply for retirement benefits, the regular accrued annuity benefits will commence with a lump sum equal to the amount of missed payments, without interest, retroactive to their normal retirement date unless the deferred normal retirement option is elected or otherwise approved by the North Dakota public employees retirement system board. There will be no retroactive payment for the</u></p>	<p>Amendment to rules for the new Deferred Normal Retirement Option.</p> <p>Amendment to rules to clarify that in the event of a divorce, a retiree's Joint & Survivor option in the Highway Patrol retirement plan will be changed to the Normal form of benefit.</p>

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<p><u>average salary is the average of the highest salary received by the member for any thirty-six months employed during the period for which the board has appropriate and accurate salary records on its electronic data base, but that period may not be more than the last one hundred eighty months of employment.</u> Months not employed or months in which employment was not as a permanent employee are excluded in arriving at the thirty-six months to be used for the purpose of computing an average. If the contributor has worked for less than thirty-six months at the postponed retirement date, the final average salary is the average salary for all months of employment.</p> <p>5. On termination of employment after completing ten years of eligible employment but before the normal retirement date, a contributor who does not elect to receive early retirement benefits is eligible are payable beginning on the contributor's normal retirement date and are one hundred percent of the contributor's normal retirement benefits in one of the forms provided in this section. <u>Contributors who have delayed or inadvertently failed to apply for retirement benefits to commence on their normal retirement date may choose to receive either a lump</u> <u>sum payment equal to the amount of missed payments, or an actuarial increase to the form of benefit the member has selected, which increase must reflect the missed payments.</u> The final average salary used for calculating deferred vested retirement benefits must be increased annually, from the later of the date of termination of</p>	<p><u>retiree health insurance credit program.</u></p> <p>History: Effective. General Authority: NDCC 39-03.1-06 Law Implemented: NDCC 39-03.1-11</p> <p>71-05-05-04. Optional benefits. A member may elect, as provided in section 71-05-05-02, to receive one of the following optional benefits in lieu of the regular early or normal retirement benefit.</p> <p>1. One hundred percent joint and survivor benefit. A member may receive an actuarially reduced retirement benefit during the member's lifetime and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. <u>In the event the member's spouse predeceases the member, or in the event of divorce, the option shall be canceled and the member's benefit shall be returned to the normal retirement amount. Payment of the normal retirement amount shall commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted or in the event of divorce, a photocopy of the divorce decree.</u> Should the member remarry and wish to change such designation, a new actuarial retirement benefit will be calculated.</p>	

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<p>employment or July 1, 1991, until the date the contributor begins to receive retirement benefits from the fund, at a rate as determined by the board not to exceed a rate that would be approximately equal to annual salary increases provided state employees pursuant to action by the legislative assembly.</p>	<p>Payments of benefits to a member's surviving spouse must be made on the first day of each month, commencing on the first day of the month following the member's death, providing the beneficiary has supplied a marriage certificate, death certificate, birth certificate verifying age, and is still living. Benefits must terminate in the month in which the death of the beneficiary occurs.</p> <p>2. Twenty-year or ten-year term certain. A member may elect an option which is the actuarial equivalent of the member's normal, early, or deferred vested retirement pension payable for life with a twenty-year or ten-year certain feature, as designated by the member.</p> <p>3. Partial lump sum option. The partial lump sum option will only be available to members who retire on or after reaching their normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is equal to twelve monthly payments determined under the normal annuity option. The member is permitted to choose one of the optional forms of payment for ongoing benefits. The ongoing benefits will be actuarially reduced to reflect the partial lump sum payment.</p> <p><u>4. Deferred normal retirement option.</u></p>	

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	<p><u>The deferred normal retirement option will only be available to members who retiree after reaching their normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member's normal retirement date. The ongoing benefits will be actuarially increased to reflect the lump sum.</u></p>	
<p>SECTION 3. AMENDMENT. Section 39-03.1-11.2 of the North Dakota Century Code is amended and reenacted as follows: 39-03.1-11.2. Internal Revenue Code compliance. The board shall administer the plan in compliance with section 415, section 401(a)(9), section 401(a)(17), and section 401(a)(31) of the Internal Revenue Code in effect on August 1, 2005 <u>2007</u>, as it applies for governmental plans.</p>	<p>No rule amendment required</p>	
<p>SECTION 4. A new subsection to section 39-03.1-28 of the North Dakota Century Code is created and enacted as follows: <u>A person if the information relates to an employer service purchase under section 39-03.1-10.2, but the information must be limited to the member's name and employer, the retirement program in which the member participates, the amount of service credit purchased by the employer, and the total amount expended by the employer for that service credit purchase, and that information may only be obtained from the member's employer.</u></p>	<p>71-05-04-09. Employer purchase of service credit or sick leave program. An employer may elect to purchase up to five years of service credit for an employee and purchase an employee's unused sick leave that meets the requirements of section 71-02-03-08. Before offering a purchase program to its employees the employer must create a program and document the program in writing and submit a copy to the public employees retirement system. The governing authority of the employer shall also submit to the executive director of the</p>	<p>Amendment to confidentiality rules in relation to employer purchase programs.</p>

Legislation	Implementation	Comments
	<p data-bbox="737 214 1358 280">public employees retirement system a letter indicating:</p> <ol style="list-style-type: none"> <li data-bbox="835 321 1344 427">1. The program meets all the requirements of the North Dakota Century Code. <li data-bbox="835 431 1344 537">2. The program meets all applicable federal requirements. <li data-bbox="835 542 1358 721">3. The employer agrees to remit to the public employees retirement system a lump sum payment of the cost of the purchase upon being billed. <li data-bbox="835 725 1344 867">4. The employer has not given the employee the option of a cash payment in lieu of the employer purchase. <li data-bbox="835 872 1344 1084">5. The employer shall clearly specify who is eligible for the program and indicate if the program is intended to be permanent or will be for a specific time period only. <li data-bbox="835 1089 1344 1479">6. The employer agrees that all purchases for service credit will be based upon actuarial cost as determined by the public employees retirement system. The employer also agrees that all purchases will be completed no later than the employee's retirement or sixty days from the date the employer and employee 	

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	<p>agree to the purchase, whichever comes first.</p> <p>7. The employer agrees that in offering such a program the employer will direct each employee interested in the program to first apply to the employer's authorized agent who will then certify the eligibility of the member, the amount of service credit to be purchased, and send such certification to the public employees retirement system. The employer also agrees that the employer's authorized agent will coordinate the program, authorize all purchases in writing to the public employees retirement system, and be the focal point for communications between the public employees retirement system, the employer, and the employee.</p> <p>8. The employer agrees that for each employee certified to be eligible to have service credit purchased, the employer will first obtain from the employee authorization for the public employees retirement system to share confidential information with</p>	

Legislation	Implementation	Comments
	<p>the employer.</p> <p>9. The employer certifies that in offering the program, the employer is making it available to all employees or a specified class of employees on a nondiscriminatory basis.</p> <p>10. <u>The employer agrees to provide information and policies pertaining to the employer purchase program pursuant to 39-03.1-28.</u></p> <p>When an employer files the above letter with the public employees retirement system, it may offer the program to its employees. An employer may terminate this program at any time upon the governing authority of the employer sending to the executive director of the public employees retirement system a letter indicating when the program is to be canceled.</p>	
<p>SECTION 5. AMENDMENT. Section 39-03.1-30 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>39-03.1-30. Conversion of sick leave. At termination of eligible employment a member is entitled to credit in the retirement system for each month of unused sick leave, as certified by the employer, if the member or the member's employer pays an amount equal to the member's final average salary, times the</p>	<p>71-05-04-08. Conversion of sick leave. To convert unused sick leave to service credit, the member must notify the office, in writing, of the amount of unused sick leave to be converted and the member's employer must confirm the member's unused balance of accumulated sick leave as of the date the member terminates employment. For members transferring</p>	<p>Amendment to rules to change the payment due date of sick leave purchases.</p>

Legislation	Implementation	Comments
<p>number of months of sick leave converted, times the employer and employee contribution, plus the required contribution for the retiree health benefits program. Hours of sick leave equal to a fraction of a month are deemed to be a full month for purposes of conversion to service credit. A member may convert all of the member's certified sick leave or a part of that person's certified sick leave. All conversion payments must be made within sixty days of termination and before the member receives a retirement annuity unless the member has submitted an approved payment plan to the board.</p>	<p>from one participating employer to another participating employer without terminating eligible employment, the public employees retirement system will record unused sick leave of a participating member if the new employer certifies that it will not transfer that leave. The certification must include documentation from the previous employer detailing the number of hours of sick leave. The public employees retirement system must receive the certification within sixty days after the member leaves employment with the former employer. One month of service credit must be awarded for each one hundred seventy-three and three-tenths hours of unused accumulated sick leave. The cost to convert unused sick leave into service credit must be paid with after tax employee contributions.</p> <p>1. After tax payments may be accepted from the member as early as six months prior to termination if the following requirements are met:</p> <p>a. A notice of termination or application for monthly benefits form is on file with the public employees retirement system.</p> <p>b. A written certification by the member's employer, as to the member's unused balance of accumulated sick leave as of the date the member wishes to begin payment, is on file with the public employees retirement system.</p>	

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	<p>c. At termination, the sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave, confirmed by the member's employer, and the member's final average salary as of that date.</p> <p>d. If there is a difference between the sick leave conversion payment amount and the amount the member has paid, any overpayment must be refunded to the member and any underpayment must be collected from the member <u>by the fifteenth of the month following the month of member's date</u>within sixty days of termination.</p> <p>e. The member's record must be updated with the additional service credit once payment is made in full and the member has terminated employment.</p> <p>2. Pretax rollover or transfer payments may be accepted from the member as early as sixty days prior to termination if the following requirements are met:</p> <p>a. A notice of termination or application for monthly benefits form is on file with the public employees retirement system.</p> <p>b. A written certification by the member's employer, as to the member's projected unused balance of accumulated sick leave no sooner than sixty days prior to the date</p>	

Legislation	Implementation	Comments
	<p>of termination, is on file with the public employees retirement system. This certification must also include a certification by the employer of the projected salaries to be reported to the public employees retirement system during the final months of employment.</p> <p>c. At termination, the sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave confirmed by the member's employer, and the member's final average salary as of that date. If there is a difference between the sick leave balance or conversion payment amount and the amount the member has paid, then only the amount of sick leave available as of the termination date will be added to the member's record. The member account balance will be credited with the full amount of funds from the rollover or transfer.</p> <p>d. If an underpayment has occurred, then the remaining amount must be collected from the member <u>by the fifteenth of the month following the month of member's date</u>within sixty days of termination.</p> <p>e. The retiree health credit portion must be paid as a personal after tax payment.</p> <p>The member's record must be updated with the additional service credit once payment is made and the member has terminated</p>	

Legislation	Implementation	Comments
	employment.	
<p>SECTION 6. AMENDMENT. Section 54-52-02.9 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>54-52-02.9. Participation by temporary employees. A temporary employee may elect, within one hundred eighty days of beginning employment, to participate in the public employees retirement system and receive credit for service after enrollment. The temporary employee shall pay monthly to the fund an amount equal to eight and twelve-hundredths percent times the temporary employee's present monthly salary. The temporary employee shall also pay monthly to the retiree health benefit fund established under section 54-52.1-03.2 one percent times the temporary employee's present monthly salary. This contribution must be recorded as a member contribution pursuant to section 54-52.1-03.2. An employer may not pay the temporary employee's contributions. A temporary employee may continue to participate as a temporary employee in the public employees retirement system until termination of employment or reclassification of the temporary employee as a permanent employee. A temporary employee may not purchase <u>any</u> additional credit, <u>including additional credit</u> under section 54-52-17.4 or <u>past service</u> under section 54-52-02.6.</p>	No rule amendment required	
<p>SECTION 7. AMENDMENT. Subsections 2 and 5 of section 54-52-17 of the North Dakota Century Code are amended and reenacted as follows:</p>	<p>71-02-04-03.1. Payment date - Retirement benefits for late retirees. Except for retirement options provided in sections 71-02-04-02 and 71-02-04-03, for</p>	<p>Amendment to rules for the new Deferred Normal Retirement Option.</p> <p>Amendment to rules to clarify that in the</p>

Legislation	Implementation	Comments
<p>2. Retirement benefits are calculated from the participating member's final average salary, which is the average of the highest salary received by the member for any thirty-six months employed during the last one hundred twenty months of employment. For members who retire <u>terminate employment</u> on or after July 1, 2009 <u>August 1, 2010</u>, final average salary is the average of the highest salary received by the member for any thirty-six months employed during the last one hundred eighty months of employment. <u>For members who terminate employment between July 31, 2005, and August 1, 2010, final average salary is the average of the highest salary received by the member for any thirty-six months employed during the period for which the board has appropriate and accurate salary records on its electronic data base, but that period may not be more than the last one hundred eighty months of employment.</u> Months not employed are excluded in arriving at the thirty-six months to be used for the purpose of computing an average. If the participating member has worked for less than thirty-six months at the normal retirement date, the final average salary is the average salary for the total months of employment.</p> <p>5. Upon termination of employment after completing three years of eligible employment, except for supreme and district court judges, who must complete five years of eligible employment, but before normal retirement date, a member who does not elect to receive early retirement benefits is eligible to receive deferred vested retirement benefits payable commencing on the member's normal</p>	<p>members who are terminated and older than the age at which they reach their normal retirement date, but who have delayed or inadvertently failed to apply for retirement benefits, the regular accrued annuity benefits will commence with a lump sum equal to the amount of missed payments, without interest, retroactive to their normal retirement date unless <u>the deferred normal retirement option is elected or otherwise approved by the North Dakota public employees retirement system board.</u> There will be no retroactive payment for the retiree health insurance credit program.</p> <p>71-02-04-04. Optional benefits. A member may elect, as provided in section 71-02-04-02, to receive one of the following optional benefits in lieu of the regular single life retirement benefit.</p> <p>1. One hundred percent joint and survivor benefit. A member shall receive an actuarially reduced retirement benefit during the member's lifetime and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse shall be made on the first day of each month commencing on the first day of the month following the member's death, providing the beneficiary has supplied a marriage</p>	<p>event of a divorce, a retiree's Joint & Survivor option in the Defined Benefit retirement plan will be changed to the Single benefit.</p>

Legislation	Implementation	Comments
<p>retirement date equal to one hundred percent of the member's accrued single life benefits in one of the optional forms provided in subsection 9.</p> <p><u>Members who have delayed or inadvertently failed to apply for retirement benefits to commence on their normal retirement date may choose to receive either a lump sum payment equal to the amount of missed payments, or an actuarial increase to the form of benefit the member has selected, which increase must reflect the missed payments.</u></p>	<p>certificate and death certificate and is still living. Benefits shall terminate in the month in which the death of the beneficiary occurs. In the event the designated beneficiary predeceases the member, <u>or in the event of divorce</u>, the option shall be canceled and the member's benefit shall be returned to the single life amount. Payment of the single life amount shall commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted <u>or in the event of divorce, a photocopy of the divorce decree.</u></p> <p>2. Fifty percent joint and survivor benefit. A member shall receive an actuarially reduced retirement benefit during the member's lifetime and after the member's death one-half the rate of the reduced benefit will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse shall be made on the first day of each month commencing on the first day of the month following the member's death, providing the beneficiary has supplied a marriage certificate and death certificate and is still living. Benefits shall terminate in the month in which the death of the beneficiary occurs. In the event the designated beneficiary predeceases the member, <u>or in the event of</u></p>	

Legislation	Implementation	Comments
	<p><u>divorce</u>, the option shall be canceled and the member's benefit shall be returned to the single life amount. Payment of the single life amount shall commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted <u>or in the event of divorce, a photocopy of the divorce decree.</u></p> <p>3. Level social security option. A member who retires prior to receiving social security benefits may elect the level social security option. Under this option, the member's monthly benefit is adjusted so the combined benefits received from the fund and social security remain level before, and after, the date social security benefits begin. The adjusted benefit payable from the fund must be determined on an actuarial equivalent based on an age no earlier than sixty-two and no later than full retirement age as specified by the social security administration as chosen in writing by the member.</p> <p>A member is not eligible for the level social security option if it results in a benefit payment of less than one hundred dollars per month.</p> <p>A member shall submit an estimated benefit from social security that was computed no more than six months before commencement of retirement benefits.</p>	

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	<p>4. Twenty-year or ten-year certain option. A member may elect an option which is the actuarial equivalent of the member's normal, early, or deferred vested retirement pension payable for life with a twenty-year or ten-year certain feature, as designated by the member.</p> <p>5. Partial lump sum option. The partial lump sum option will only be available to members who retire on or after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is equal to twelve monthly payments determined under the single life annuity option. The member is permitted to choose one of the optional forms of payment, excluding the level social security income option, for ongoing benefits. The ongoing benefits will be actuarially reduced to reflect the partial lump sum payment.</p> <p><u>6. Deferred normal retirement option.</u> <u>The deferred normal retirement option will only be available to members who retiree after reaching normal retirement date. This options is an irrevocable election and made at initial application for retirement. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member's normal retirement date . The ongoing benefits will be actuarially increased to reflect the lump</u></p>	

Legislation	Implementation	Comments
	<u>sum.</u>	
<p>SECTION 8. AMENDMENT. Subsections 1, 4, 5, and 6 of section 54-52-17.4 of the North Dakota Century Code are amended and reenacted as follows:</p> <p>1. A <u>participating</u> member may elect to purchase credit for years of service and prior service for which the <u>participating</u> member is not presently receiving credit. A <u>participating</u> member is entitled to purchase additional credit under this section for the following service or prior service, except this service is not eligible for credit if the years claimed also qualify for retirement benefits from another retirement system:</p> <p>a. Active prior employment in the armed forces of the United States, except as provided in section 54-52-17.14, for up to four years of credit.</p> <p>b. Employment as a permanent employee by a public employer either within or outside the state of North Dakota.</p> <p>c. Employment as a permanent employee by a political subdivision participating in the public employees retirement system which did not pay the cost of past service benefits under section 54-52-02.1.</p> <p>d. Service the participating member did not elect to repurchase upon reemployment under section 54-52-02.6.</p> <p>e. Service of an eligible employee, who exercised the privilege to withdraw from the predecessor plan to the public employees retirement system under subsection 10 of section 54-52-17 as created by section 13 of</p>	No rule amendment required	

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<p>chapter 499 of the 1977 Session Laws.</p> <p>f. Employment as a permanent employee by the federal government.</p> <p>4. The <u>participating</u> member may purchase credit under this section, or the <u>participating</u> member's employer may purchase for the <u>participating</u> member, by paying to the board an amount equal to the actuarial cost to the fund of providing the credit. If the <u>participating</u> member purchases credit pursuant to subdivision d of subsection 1, the participating member must pay to the board an amount equal to the greater of the actuarial cost to the fund of providing the credit, or the amount the <u>participating</u> member received upon taking a refund of the <u>participating</u> member's account balance, plus interest at the actuarial rate of return from the time the <u>participating</u> member was issued the refund. If the <u>participating</u> member is not repurchasing all of the credit originally refunded, the <u>participating</u> member must pay a pro rata amount of the refunded amount determined by dividing the refunded amount by the number of months of credit refunded, multiplying that amount times the number of months of credit the <u>participating</u> member seeks to repurchase, and adding interest at the actuarial rate of return. The <u>participating</u> member or the <u>participating</u> member's employer shall also pay to the retiree health benefits fund established under section 54-52.1-03.2 an amount equal to the actuarial cost to that fund for the additional credit. This contribution must be recorded as a member contribution pursuant to section 54-52.1-03.2. The board shall adopt rules governing the purchase of additional credit under this section.</p>		

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<p>5. Pursuant to rules adopted by the board, the board may allow a <u>participating</u> member to purchase service credit with either pretax or aftertax moneys, at the board's discretion. If the <u>participating</u> member elects to purchase service credit using pretax moneys, the requirements and restrictions in subsection 3 of section 54-52-05 apply to the purchase arrangement.</p> <p>6. In addition to service credit identified in this section, a vested <u>participating</u> member may purchase up to five years of service credit unrelated to any other eligible service.</p>		
<p>SECTION 9. A new subsection to section 54-52-26 of the North Dakota Century Code is created and enacted as follows: <u>A person if the information relates to an employer service purchase, but the information must be limited to the member's name and employer, the retirement program in which the member participates, the amount of service credit purchased by the employer, and the total amount expended by the employer for that service credit purchase, and that information may only be obtained from the member's employer.</u></p>	<p>71-02-03-07. Employer purchase of service credit or sick leave program. An employer may elect to purchase up to five years of service credit for an employee and purchase an employee's unused sick leave that meets the requirements of section 71-02-03-08. Before offering a purchase program to its employees, the employer must create a program and an employer must document the program in writing and submit a copy to the public employees retirement system. The governing authority of the employer shall also submit to the executive director of the public employees retirement system a letter indicating:</p> <ol style="list-style-type: none"> 1. The program meets all the requirements of the North Dakota Century Code. 2. The program meets all 	<p>Amendment to confidentiality rules in relation to employer purchase programs.</p>

Legislation	Implementation	Comments
	<p>applicable federal requirements.</p> <ol style="list-style-type: none"> 3. The employer agrees to remit to the public employees retirement system a lump sum payment of the cost of the purchase upon being billed. 4. The employer has not given the employee the option of a cash payment in lieu of the employer purchase. 5. The employer shall clearly specify who is eligible for the program and indicate if the program is intended to be permanent or will be for a specific time period only. 6. The employer agrees that all purchases for service credit will be based upon actuarial cost as determined by the public employees retirement system and all unused sick leave purchases will be based upon the computation specified in the North Dakota Century Code. The employer also agrees that all purchases will be completed no later than the employee's retirement or sixty days from the date the employer and employee agree to the purchase, 	

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	<p>whichever comes first.</p> <p>7. The employer agrees that in offering such a program the employer will direct each employee interested in the program to first apply to the employer's authorized agent who will then certify the eligibility of the member, the amount of service credit to be purchased or sick leave to be converted, and send such certification to the public employees retirement system. The employer also agrees that the employer's authorized agent will coordinate the program, authorize all purchases in writing to the public employees retirement system, and be the focal point for communications between the public employees retirement system, the employer, and the employee.</p> <p>8. The employer agrees that for each employee certified to be eligible to have service credit purchased or sick leave converted, the employer will first obtain from the employee authorization for the public employees retirement system to share confidential information with the employer.</p>	

Legislation	Implementation	Comments
	<p>9. The employer certifies that in offering the program, the employer is making it available to all employees or a specified class of employees on a nondiscriminatory basis.</p> <p><u>10. The employer agrees to provide information and policies relating to an employer purchase program pursuant to NDCC 54-52-26.</u></p> <p>When an employer files the above letter with the public employees retirement system, it may offer the program to its employees. An employer may terminate this program at any time upon the governing authority of the employer sending to the executive director of the public employees retirement system a letter indicating when the program is to be canceled.</p>	
<p>SECTION 10. AMENDMENT. Section 54-52-27 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>54-52-27. Purchase of sick leave credit. At termination of eligible employment a A member is entitled to credit in the retirement system for each month of unused sick leave, as certified by the member's employer, if the member or the member's employer pays an amount equal to the member's final average salary, times the</p>	<p>71-02-03-06. Conversion of sick leave. To convert unused sick leave to service credit, the member must notify the office, in writing, of the amount of unused sick leave to be converted and the member's employer must confirm the member's unused balance of accumulated sick leave as of the date the member terminates employment. For members transferring</p>	<p>Amendment to rules to change the payment due date of sick leave purchases.</p>

Legislation	Implementation	Comments
<p>number of months of sick leave converted, times the percent of employer and employee contributions to the retirement program of the member, plus one percent for the retiree health benefits program. Hours of sick leave equal to a fraction of a month are deemed to be a full month for purposes of conversion to service credit. A member may convert all of the member's certified sick leave or a part of the member's certified sick leave. All conversion payments must be made within sixty days of termination of employment and before the member receives a retirement annuity unless the member has submitted an approved payment plan to the board.</p>	<p>from one participating employer to another participating employer without terminating eligible employment, the public employees retirement system will record unused sick leave of a participating member if the new employer certifies that it will not transfer that leave. The certification must include documentation from the previous employer detailing the number of hours of sick leave. The public employees retirement system must receive the certification within sixty days after the member leaves employment with the former employer. One month of service credit must be awarded for each one hundred seventy-three and three-tenths hours of unused accumulated sick leave. The employer and employee contributions rates used to calculate the cost must be the rate of the retirement program of the member at termination.</p> <p>1. After tax payments may be accepted from the member as early as six months prior to termination if the following requirements are met:</p> <p>a. A notice of termination or application for monthly benefits form is on file with the public employees retirement system.</p> <p>b. A written certification by the member's employer, as to the member's unused balance of accumulated sick leave as of the date the member wishes to begin payment, is on file with the public employees</p>	

Legislation	Implementation	Comments
	<p>retirement system.</p> <p>c. At termination, the sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave confirmed by the member's employer, and the member's final average salary as of that date. If there is a difference between the sick leave conversion payment amount and the amount the member has paid, any overpayment must be refunded to the member and any underpayment must be collected from the member <u>by the fifteenth of the month following the month of member's date</u>within sixty days of termination.</p> <p>2. The member's record must be updated with the additional service credit once payment is made in full and the member has terminated employment.</p> <p>3. Pretax rollover or transfer payments may be accepted from the member as early as sixty days prior to termination if the following requirements are met:</p> <p>a. A notice of termination or application for monthly benefits form is on file with the public employees retirement system.</p> <p>b. A written certification by the member's employer, as to the member's projected unused balance of accumulated sick leave</p>	

Legislation	Implementation	Comments
	<p>no sooner than sixty days prior to the date of termination, is on file with the public employees retirement system. This certification must also include a certification by the employer of the projected salaries to be reported to the public employees retirement system during the final months of employment.</p> <p>c. At termination, the sick leave conversion payment must be recalculated using the member's unused balance of accumulated sick leave confirmed by the member's employer and the member's final average salary as of that date. If there is a difference between the sick leave balance or conversion payment amount and the amount the member has paid, then only the amount of sick leave available as of the termination date will be added to the member's record. The member account balance will be credited with the full amount of funds from the rollover or transfer.</p> <p>d. If an underpayment has occurred, then the remaining amount must be collected from the member <u>by the fifteenth of the month following the month of member's date</u>within sixty days of termination.</p> <p>e. The retiree health credit portion must be paid as a personal after tax payment.</p> <p>4. The member's record must be updated with the additional service credit once</p>	

Legislation	Implementation	Comments
	payment is made and the member has terminated employment.	
<p>SECTION 11. AMENDMENT. Section 54-52-28 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>54-52-28. Internal Revenue Code compliance. The board shall administer the plan in compliance with section 415, section 401(a)(9), section 401(a)(17), and section 401(a)(31) of the Internal Revenue Code in effect on August 1, 2005 <u>2007</u>, as it applies for governmental plans.</p>	No Rule Amendment Required	
<p>SECTION 12. AMENDMENT. Section 54-52-29 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>54-52-29. Employer service purchases. A participating employer may purchase additional service credit on behalf of a member under the following conditions:</p> <ol style="list-style-type: none"> 1. The member may not be given the option to choose between an employer service purchase and an equivalent amount paid in cash. 2. The member must meet one of the following conditions at the time the purchase is made: <ol style="list-style-type: none"> a. The member's age plus service credit must be equal to or greater than seventy-five; or b. The member's age must be at least fifty-five and the member must have at least three years of service credit. 3. The board must determine the purchase price on an actuarially equivalent basis, <u>taking into account the contributions necessary for both the retirement program and the retiree health benefits fund.</u> 4. The purchase must be completed before the 	No Rule Amendment Required	

Legislation	Implementation	Comments
<p>member's retirement.</p> <p>5. The employer may purchase a maximum of five years of service credit on behalf of the member.</p> <p>6. The employer must pay the purchase price for the service credit purchased under this section in a lump sum.</p>		
<p>SECTION 13. AMENDMENT. Section 54-52.6-09.2 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>54-52.6-09.2. Additional employer contributions. Additional lump sum contributions by an employer to a participating member's defined contribution retirement plan account may be made if the participating member has twenty-five years of service, has not retired, and has not received a retirement benefit under this chapter. Contributions may be made in an amount actuarially equivalent to the amounts determined pursuant to chapter 54-52 as follows:</p> <p>1. For the conversion of sick leave pursuant to section 54-52-27 <u>if the participating member has four or more years of service.</u></p> <p>2. The equivalent of up to five years of service credit unrelated to any other eligible service as provided in subsection 5 of section 54-52-29 <u>if the participating member has twenty-five or more years of service.</u></p>	<p>71-08-04-09. Employer purchase of service credit or sick leave program. An employer may elect to purchase up to five years of service credit for an employee and purchase an employee's unused sick leave that meets the requirements of section 71-02-03-08. Before offering a purchase program to its employees the employer must create a program and document the program in writing and submit a copy to the public employees retirement system. The governing authority of the employer shall also submit to the executive director of the public employees retirement system a letter indicating:</p> <ol style="list-style-type: none"> 1. The program meets all the requirements of the North Dakota Century Code. 2. The program meets all applicable federal requirements. 3. The employer agrees to remit to the public employees retirement system a lump sum payment of the cost of the purchase upon being billed. 	<p>Amendment to Defined Contribution rules as it relates to additional employer contributions being made into the plan. This provision is to make the DC plan provisions similar to the DB plan.</p>

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	<ol style="list-style-type: none"> <li data-bbox="835 212 1360 354">4. The employer has not given the employee the option of a cash payment in lieu of the employer purchase. <li data-bbox="835 354 1360 573">5. The employer shall clearly specify who is eligible for the program and indicate if the program is intended to be permanent or will be for a specific time period only. <li data-bbox="835 573 1360 1044">6. The employer agrees that all purchases for service credit will be based upon actuarial cost as determined by the public employees retirement system. The employer also agrees that all purchases will be completed no later than the employee's retirement or sixty days from the date the employer and employee agree to the purchase, whichever comes first. <li data-bbox="835 1044 1360 1477">7. The employer agrees that in offering such a program the employer will direct each employee interested in the program to first apply to the employer's authorized agent who will then certify the eligibility of the member, the amount of service credit to be purchased, and send such certification to the public employees retirement system. 	

Legislation	Implementation	Comments
	<p>The employer also agrees that the employer's authorized agent will coordinate the program, authorize all purchases in writing to the public employees retirement system, and be the focal point for communications between the public employees retirement system, the employer, and the employee.</p> <p>8. The employer agrees that for each employee certified to be eligible to have service credit purchased, the employer will first obtain from the employee authorization for the public employees retirement system to share confidential information with the employer.</p> <p>9. The employer certifies that in offering the program, the employer is making it available to all employees or a specified class of employees on a nondiscriminatory basis.</p> <p><u>10. The employer agrees to provide information and policies pertaining to the employer purchase program pursuant to NDCC 54-52-26.</u></p> <p>When an employer files the above letter with the public employees retirement</p>	

Legislation	Implementation	Comments
	<p>system, it may offer the program to its employees. An employer may terminate this program at any time upon the governing authority of the employer sending to the executive director of the public employees retirement system a letter indicating when the program is to be canceled.</p> <p>History: Effective May 1, 2004; amended effective July 1, 2006. General Authority: NDCC 39-03.1-06 Law Implemented: NDCC 39-03.1-10.2</p>	
<p>SECTION 14. AMENDMENT. Section 54-52.6-10 of the North Dakota Century Code is amended and reenacted as follows: 54-52.6-10. Vesting. A participating member is immediately one hundred percent vested in that member's contributions made to that member's account under this chapter. A participating member vests in the employer contributions made on that member's behalf to an account under this chapter according to the following schedule:</p> <ol style="list-style-type: none"> 1. Upon completion of two years of service, fifty percent. 2. Upon completion of three years of service, seventy-five percent. 3. Upon completion of four years of service, one hundred percent. <p><u>A participating member also becomes one hundred percent vested in the employer contributions upon reaching age sixty-five.</u> A participating member who was a member or</p>	No Rule Amendment Required	

Legislation	Implementation	Comments
<p>deferred member of the public employees retirement system under chapter 54-52 who makes an election to participate in the defined contribution retirement plan pursuant to this chapter, must be credited with the years of service accrued under the public employees retirement system on the effective date of participation in the defined contribution retirement plan for the purpose of meeting vesting requirements for benefits under this section. Any forfeiture as a result of the failure of a participating member to vest in the employer contribution must be deposited in the administrative expenses account.</p>		
<p>SECTION 15. AMENDMENT. Subsection 4 of section 54-52.6-13 of the North Dakota Century Code is amended and reenacted as follows: 4. If the former participating member's vested account balance is less than five <u>one</u> thousand dollars, the board shall automatically refund the member's vested account balance upon termination of employment. The member may waive the refund if the member submits a written statement to the board, within one hundred twenty days after termination, requesting that the member's vested account balance remain in the plan.</p>	<p>No Rule Amendment Required</p>	
	<p>71-02-04-10. Erroneous payment of benefits - Overpayments. 1. An "overpayment" means a payment of money by the public employees retirement system that results in a person receiving a higher payment than the person is entitled to under the provision of the retirement plan of membership.</p>	<p>Amendment to rule to incorporate a policy that the board approved at its September 2005 meeting</p>

Legislation	Implementation	Comments
	<p>2. A person who receives an overpayment is liable to refund those payments upon receiving a written explanation and request for the amount to be refunded. All overpayments must be collected using the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like gains. If the cost of recovering the amount of the overpayment is estimated to exceed the overpayment, the repayment is considered to be unrecoverable.</p> <p>3. If the overpayment of benefits was not the result of any wrongdoing, negligence, misrepresentation, or omission by the recipient, the recipient may make repayment arrangements subject to the executive director's approval within sixty days of the written request for refund <u>with the minimum repayment amount no less than fifty dollars a month with the total repayment period not to exceed 36 months.</u> If repayment arrangements are not in place within sixty days of the date of the written notice of overpayment, the executive director shall offset the amount of the overpayment from the amount of future retirement benefit payments so that the actuarial equivalent of the overpayment is spread over the individual's benefit</p>	

Legislation	Implementation	Comments
	<p>payment period.</p> <p>4. If the overpayment of benefits was the result, in whole or in part, of the wrongdoing, negligence, misrepresentation, or omission of the recipient, the recipient is liable to pay interest charges at the rate of six percent on the outstanding balance, from the time the erroneous benefit was paid through the time it has been refunded in full, plus applicable interest. <u>The recipient may make repayment arrangements, subject to the executive director's approval, within sixty days of the written request for refund with the minimum repayment amount no less than fifty dollars a month with the total repayment period not to exceed 36 months.</u> If repayment arrangements are not in place within sixty days of the date of the written notice of overpayment, the executive director shall offset the amount of the overpayment from the amount of future retirement benefit payments so that the actuarial equivalent of the overpayment is spread over the individual's benefit payment period.</p> <p>5. If an individual dies prior to fully refunding an erroneous overpayment of benefits, the public employees retirement system must make application to the estate of the deceased to recover the remaining balance.</p>	

Legislation	Implementation	Comments
	<p>71-02-04-11. Erroneous payment of benefits - Underpayments.</p> <p>1. An "underpayment" means a payment of money by the public employees retirement system that results in a person receiving a lower payment than the person is entitled to under the provisions of the retirement plan of membership.</p> <p>2. If an underpayment occurs, the amount of the lump sum payment must be paid within sixty days of the discovery of the error, with interest at the rate of six percent from the time underpayment occurred.</p> <p><u>3. If the underpayment of benefits was not the result of any wrongdoing, negligence, misrepresentation, or omission by the employer or recipient, the underpayment of benefits is to include interest at the rate of six percent from the time the underpayment occurred.</u></p> <p><u>4. If the underpayment of benefits was the result, in whole or in part, of the wrongdoing, negligence, misrepresentation, or omission of the employer or recipient, the underpayment of benefits will not include interest.</u></p> <p><u>5. If an individual dies prior to receiving the underpayment of benefits, the public employees retirement system must pay the designated beneficiary on record, or in the absence of a designation of beneficiary, to</u></p>	<p>Amendment to rule based on a recommendation from NDPERS audit division. This amendment reflects the advice of our legal counsel.</p>

Legislation	Implementation	Comments
	<u>the estate.</u>	
	<p style="text-align: center;">CHAPTER 71-02-05 DISABILITY</p> <p>Section</p> <p>71-02-05-01 Eligibility [Repealed]</p> <p>71-02-05-02 Commencement of Benefit [Repealed]</p> <p>71-02-05-03 Cancellation of Disability Benefit</p> <p>71-02-05-04 Calculation of Disability Benefit [Repealed]</p> <p>71-02-05-05 Conditions for Changing to a Disability Retirement Benefit From an Early Reduced Retirement Benefit</p> <p>71-02-05-06 Determination of Disability - Procedures</p> <p>71-02-05-07 Optional Benefits</p> <p>71-02-05-07.1 Judges' Retirement Plan Optional Benefits</p> <p>71-02-05-08 Transitional Period</p> <p>71-02-05-09 Interest Accrual on Accumulated Contributions for Disabled Annuitants</p> <p>71-02-05-07. Optional benefits. For the main system and national guard or law enforcement retirement plans, an individual deemed eligible for a disability benefit may elect, as provided in this section, to receive one of the following optional benefits in lieu of the regular disability benefit. Under no circumstances is an option available if the calculation of the optional benefit to which</p>	<p>Amendment to rules to clarify that in the event of a divorce, a retiree's Joint & Survivor option in the Defined Benefit Plan will be changed to a Single life.</p>

Legislation	Implementation	Comments
	<p>the member is entitled results in an amount which is less than one hundred dollars.</p> <p>1. One hundred percent joint and survivor benefit. A member shall receive an actuarially reduced disability retirement benefit as long as the member remains eligible for benefits under subdivision e of subsection 3 of North Dakota Century Code section 54-52-17 and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse must be made on the first day of each month commencing on the first day of the month following the member's death, provided the beneficiary is still living and has supplied a marriage certificate and the member's death certificate. Benefits terminate in the month in which the death of the beneficiary occurs. In the event the designated beneficiary predeceases the member, <u>or in the event of divorce,</u> the option must be canceled and the member's benefit must be returned to the single life amount. Payment of the single life amount must commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted <u>or in the event of divorce, a photocopy of the divorce decree.</u></p>	

Legislation	Implementation	Comments
	<p>2. Fifty percent joint and survivor benefit. A member shall receive an actuarially reduced disability retirement benefit as long as the member remains eligible for benefits under subdivision e of subsection 3 of North Dakota Century Code section 54-52-17 and after the member's death one-half the rate of the reduced benefit will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse must be made on the first day of each month commencing on the first day of the month following the member's death, providing the beneficiary has supplied a marriage certificate and death certificate and is still living. Benefits terminate in the month in which the death of the beneficiary occurs. In the event the designated beneficiary predeceases the member, <u>or in the event of divorce</u>, the option must be canceled and the member's benefit must be returned to the single life amount. Payment of the single life amount must commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted <u>or in the event of divorce, a photocopy of the divorce decree</u>.</p> <p>3. Twenty-year or ten-year certain option. A member may elect an option which is the actuarial equivalent of the</p>	

Legislation	Implementation	Comments
	<p>member's normal, early, or deferred vested retirement pension payable for life with a twenty-year or ten-year certain feature, as designated by the member.</p> <p>History: Effective January 1, 1992; amended effective July 1, 1994; May 1, 2004; July 1, 2006.</p> <p>General Authority: NDCC 54-52-04</p> <p>Law Implemented: NDCC 54-52-17</p> <p>71-02-05-07.1. Judges' retirement plan optional benefits. For the judges' retirement plan, an individual deemed eligible for a disability benefit may elect, as provided in this section, to receive one of the following optional benefits in lieu of the regular disability benefit. Under no circumstances is an option available if the calculation of the optional benefit to which the member is entitled results in an amount which is less than one hundred dollars.</p> <p>1. One hundred percent joint survivor benefit. A member shall receive an actuarially reduced disability retirement benefit as long as the member remains eligible for benefits under subdivision e of subsection 3 of North Dakota Century Code section 54-52-17 and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a</p>	

Legislation	Implementation	Comments
	<p>member's surviving spouse must be made on the first day of each month commencing on the first day of the month following the member's death, provided the beneficiary is still living and has supplied a marriage certificate and the member's death certificate. Benefits terminate in the month in which the death of the beneficiary occurs. In the event the designated beneficiary predeceases the member, <u>or in the event of divorce</u>, the option must be canceled and the member's benefit must be returned to the single life amount. Payment of the single life <u>normal retirement</u> amount must commence on the first day of the month following the spouse's death providing written notification of death and a death certificate has been submitted <u>or in the event of divorce</u>, a photocopy of the <u>divorce decree</u>.</p> <p>2. Twenty-year or ten-year certain option. A member may elect an option which is the actuarial equivalent of the member's normal, early, or deferred vested retirement pension payable for life with a twenty-year or ten-year certain feature, as designated by the member.</p>	
	<p>71-02-06-04. Adjustment for bonuses, profit sharing, and contributions paid in a month other than month earned. Adjustments for the following must be made for all members:</p>	<p>Amendment to rule to clarify that employers cannot remit bonuses for future months. Employer must report bonuses either retroactively or as they are earned.</p>

Legislation	Implementation	Comments
	<p>1. Participating employers shall report bonuses or profit-sharing amounts paid when remitting the contribution associated with the bonus. Recruitment and retention bonuses under North Dakota Century Code section 54-06-31 are not eligible for consideration as salary and no contributions associated with those types of bonuses shall be submitted.</p> <p>2. Bonuses or profit-sharing amounts paid by a participating employer other than pursuant to North Dakota Century Code section 54-06-31 will be <u>retroactively</u> prorated equally <u>to the</u>as actual compensation paid over the term of the intended bonus or profit-sharing period. <u>Bonuses or profit-sharing amounts may not be submitted to the public employees retirement system for future months.</u></p> <p>3. Upon receiving notice, contributions received in a month other than the month earned will be assigned to the appropriate month.</p>	
	<p>71-03-05-02. Retiree billing. Retirees receiving a monthly retirement benefit from the board in a sufficient amount to pay premium will have the total monthly premium deducted from their benefit check. Retirees not paying a premium from their benefit check will receive a monthly billing.</p>	<p>Amendment to rule to remove billing timeframes which are currently reviewed to be in compliance with Medicare Part D.</p>

Legislation	Implementation	Comments
	<p>The billing will be mailed on or about the twenty-fifth of the month preceding the month of coverage. Premium is due no later than the fifteenth of the month for which coverage is intended.</p> <p>History: Effective October 1, 1986; amended effective November 1, 1990. General Authority: NDCC 54-52.1-08 Law Implemented: NDCC 54-52.1-03</p> <p>71-03-05-03. Late premium for retirees. If the premium is not received by the due date, coverage will be canceled and a notice will be sent by certified mail. The notice advises the retiree that payment in full must be received within ninety days from the due date to reinstate coverage retroactively to the day of the month following the last month for which payment was received.</p> <p>History: Effective October 1, 1986; amended effective November 1, 1990; May 1, 2004. General Authority: NDCC 54-52.1-08 Law Implemented: NDCC 54-52.1-03</p>	<p>Repeal late premium rules as NDPERS is unable to administer them and remain compliant with Medicare Part D.</p>
	<p>71-03-05-08. Erroneous payment of premiums - Underpayments. 1. An "underpayment" means a payment of money to the public employees retirement system for group insurance premiums that is less than the premiums due for the level</p>	<p>Amendment to rules to establish a policy for underpayment of group insurance premiums</p>

Legislation	Implementation	Comments
	<p>of coverage that should have been in effect. <u>Underpayment of premium is solely an error in the amount of premium billed to the individual.</u></p> <p>2. An individual who underpays premiums is liable to pay those premiums upon receiving a request for repayment and an explanation of the amount due from the executive director. All underpayments must be collected using the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like gains. If the cost of recovering the underpayment is estimated to exceed the amount of the underpayment, the underpayment is considered to be unrecoverable.</p> <p>3. If an underpayment is discovered in the first month it occurs, the individual must pay the amount due in a lump sum within thirty days of the discovery of the error.</p> <p>4. If an underpayment is not discovered within the first month it occurs, the following will apply:</p> <p>a. If not the result of any wrongdoing, negligence, misrepresentation, or omission by the individual, then the individual must make arrangements within sixty days of receiving written notification to either pay by lump sum or installments. The installment payment schedule is subject to approval by</p>	

Legislation	Implementation	Comments
	<p>the executive director <u>with the minimum repayment amount no less than fifty dollars a month with the total repayment period not to exceed 36 months</u>. If repayment arrangements are not in place within sixty days of the date of the written request for repayment, the executive director shall authorize payment to be made in three equal installments, using the same payment method the individual has authorized for paying current monthly premiums.</p> <p>b. If underpayment is the result, in whole or in part, of the wrongdoing, negligence, misrepresentation, or omission of the individual, underpayments must be made in full within sixty days of written notification.</p> <p>5. If the individual dies prior to paying in full, then the public employees retirement system must make application to the estate of the deceased to recover the remaining balance. <u>If an underpayment occurs and the individual no longer participates in the group insurance, any premium amounts due are immediately payable.</u></p> <p>6. <u>If the individual dies prior to paying in full, then the public employees retirement system must make application to the estate of the deceased to recover the remaining balance.</u></p> <p>7. <u>If the individual refuses to repay the underpayment, or the underpayment is not</u></p>	

Legislation	Implementation	Comments
	<p><u>paid in full, coverage will be canceled retroactive to the first day of the month following the month for which full premium payment was received.</u> ‡The public employees retirement system will provide written notice advising the individual that payment in full must be received notify the individual in writing that payment of claims will be suspended until payment is received in full. Coverage will be canceled if repayment is not made within thirty days of the written notification. <u>to reinstate coverage retroactively to the date that coverage was canceled.</u></p>	
	<p>71-03-05-10. Determining amount of premium overpayments and underpayments.</p> <p>1. The amount of the health premium overpayment or underpayment will be determined by calculating the difference between the premium that was paid and the premium that should have been paid, retroactively to the month the change in premium should have occurred, or July of the earliest contract period still open, whichever is more recent.</p> <p>2. The amount of the life premium overpayment or underpayment will be determined by calculating the difference between the premium that was paid and the premium that should have been paid, retroactively to the month the change in premium should have occurred.</p>	<p>Amendment to rules to add the group vision plan to 71-03-05-10 for overpayments and underpayments of premium</p>

Legislation	Implementation	Comments
	<p>3. The amount of the dental premium overpayment or underpayment will be determined by calculating the difference between the premium that was paid and the premium that should have been paid, retroactively to the month the change in premium should have occurred.</p> <p><u>4. The amount of the vision premium overpayment or underpayment will be determined by calculating the difference between the premium that was paid and the premium that should have been paid, retroactively to the month the change in premium should have occurred.</u></p>	
	<p>71-05-02-04. Optional benefits. An individual deemed eligible for a disability benefit may elect, as provided in this section, to receive one of the following optional benefits in lieu of the regular disability benefit. These options are not available if the calculation of the optional benefit to which the member is entitled would result in an amount that is less than one hundred dollars.</p> <p>1. One hundred percent joint and survivor benefit. A member shall receive an actuarially reduced disability retirement benefit as long as the member remains eligible for benefits under subdivision d of subsection 3 of North Dakota Century Code</p>	<p>Amendment to rules to clarify that in the event of a divorce, a retiree's Joint & Survivor option in the Highway Patrol Retirement Plan will be changed back to the Normal form of benefit</p>

Legislation	Implementation	Comments
	<p>section 39-03.1-11 and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Payments of benefits to a member's surviving spouse must be made on the first day of each month commencing on the first day of the month following the member's death, provided the beneficiary supplies a marriage certificate and death certificate and is still living. Benefits must terminate in the month in which the death of the beneficiary occurs. If the designated beneficiary predeceases the member, <u>or in the event of divorce</u>, the member's benefit must be returned to the normal retirement amount. Payment of the normal retirement amount must commence on the first day of the month following the spouse's death if written notification of death, provided a death certificate has been submitted <u>or in the event of divorce, a photocopy of the divorce decree</u>. <u>Should the member remarry and wish to change such designation, a new actuarial retirement benefit will be calculated.</u></p> <p>2. Twenty-year or ten-year certain option. A member may receive the actuarial equivalent of the member's normal, early, or deferred vested retirement pension payable for life with a twenty-year or ten-year certain feature, as designated</p>	

Legislation	Implementation	Comments
	by the member.	
	<p>71-05-05-11. Erroneous payment of benefits - Underpayments.</p> <p>1. An "underpayment" means a payment of money by the public employees retirement system that results in a person receiving a lower payment than the person is entitled to under the provisions of the retirement plan of membership.</p> <p>2. If an underpayment occurs, the amount of the lump sum payment must be paid within sixty days of the discovery of the error, with interest at the rate of six percent from the time underpayment occurred.</p> <p><u>3. If the underpayment of benefits was not the result of any wrongdoing, negligence, misrepresentation, or omission by the employer or recipient, the underpayment of benefits is to include interest at the rate of six percent from the time the underpayment occurred.</u></p> <p><u>4. If the underpayment of benefits was the result, in whole or in part, of the wrongdoing, negligence, misrepresentation, or omission of the employer or recipient, the underpayment of benefits will not include interest.</u></p> <p><u>5. If an individual dies prior to receiving the underpayment of benefits, the public</u></p>	<p>Amendment to rules based on a recommendation from NDPERS audit division. This amendment reflects the advice of our legal counsel</p>

Legislation	Implementation	Comments
	<p><u>employees retirement system must pay the designated beneficiary on record, or in the absence of a designation of beneficiary, to the estate.</u></p>	
	<p>71-06-01-07. Optional benefits. A married member may elect to receive one of the following optional retiree health credit benefits in lieu of the retiree health insurance credit option provided in section 71-06-01-01:</p> <p>1. Fifty percent joint and survivor benefit. A member shall receive an actuarially reduced retiree health insurance credit during the member's lifetime and after the member's death one-half the rate of the reduced benefit will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Benefits shall terminate in the month in which the death of the beneficiary occurs. If the member's spouse predeceases the member, <u>or in the event of divorce,</u> the member's benefit must be returned to the standard option amount. The standard option amount must commence on the first day of the month following the spouse's death if a death certificate has been submitted <u>or in the event of divorce, a photocopy of the divorce decree.</u></p> <p>2. One hundred percent joint and</p>	<p>Amendment to rules to clarify that in the event of a divorce, a retiree's Joint & Survivor option in the Retiree Health Insurance Credit Program will be changed back to the Single Life option (Standard).</p>

Legislation	Implementation	Comments
	<p>survivor benefit. A member shall receive an actuarially reduced retiree health insurance credit during the member's lifetime and after the member's death the same amount will be continued to the member's surviving spouse during the spouse's lifetime. The designated beneficiary is limited to the member's spouse. Benefits shall terminate in the month in which the death of the beneficiary occurs. If the member's spouse predeceases the member, <u>or in the event of divorce,</u> the member's benefit must be returned to the standard option amount. The standard option amount shall commence on the first day of the month following the spouse's death providing written notification of the death and a death certificate has been submitted <u>or in the event of divorce, a photocopy of the divorce decree.</u></p>	



Wayne Stenehjem
ATTORNEY GENERAL

STATE OF NORTH DAKOTA
OFFICE OF ATTORNEY GENERAL

STATE CAPITOL
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August 9, 2007

Public Employees Retirement System

Dear Board Members,

While attending the Election Committee meeting of July 24, 2007, I was asked to research a few issues relating to North Dakota Administrative Rules. I have the following comments relating to those issues.

The first issue related to whether members of the Defined Contribution Plan are entitled to vote or run for election to an active member vacancy on the PERS board. The administrative rules provide that employees who participate in the North Dakota Public Employees Retirement System are eligible to vote or run for election to an active member vacancy on the PERS board (N.D.A.C. § 71-01-02-02(1) and N.D.A.C. § 71-01-02-03(1)). The question becomes "Which employees participate in the North Dakota public employees retirement system?"

I have found that North Dakota law treats the terms "Public Employees Retirement System" and "Defined Contribution Retirement Plan" as mutually exclusive terms. The Public Employees Retirement System means the retirement program established under N.D.C.C. ch. 54-52 (see N.D.C.C. § 54-52-01(15)). Another name for the Public Employees Retirement System is the Defined Benefit Plan. The Defined Contribution Retirement Plan is established under N.D.C.C. § 54-52.6 (see N.D.C.C. § 54-52.6-01(6)). N.D.C.C. § 54-52.6-02(1) provides that if a member elects to join the Defined Contribution Retirement Plan they are choosing to terminate membership in the Public Employees Retirement System. Based on this finding, members of the defined contribution plan would not be entitled to vote or run for election to an active member vacancy on the PERS board.

Upon reviewing the statutes (which take precedence over the rules), it becomes clear that members of the Defined Contribution Plan are not (1) eligible to run for election to the PERS board or (2) eligible to vote for a candidate who is running for election to the board. N.D.C.C. § 54-52-03(4) provides "Three board members must be elected **by and from among the active participating members.**" Under N.D.C.C. § 54-52-01(10) "**Participating Members**" are defined as "...all **eligible employees** who through payment into the plan have established a claims against the plan." Subsection 4 of the same statute provides in part "**Eligible employee** does not include nonclassified state

employees who elect to become members of the retirement plan established under chapter 54-52.6...." Therefore, since state employees who elect to become members of the Defined Contribution Plan are not **eligible employees**, and therefore not **participating members**, they are not eligible to vote or run for PERS board positions. Thus, the terms of the Administrative Rules are in line with the law as provided under Title 54.

If it is the wish of the board to make employees in the Defined Contribution Plan eligible to vote and run for active vacancies on the PERS board, it would be necessary to first change the North Dakota statutes to allow for such action. At that point, the administrative rules would need to be changed. In order to allow such persons to vote, the language under the rules could be changed to provide "All active employees of the state of North Dakota and political subdivisions which participate in one of the plans administered by the Public Employees Retirement Board are eligible..."

The second issue related to the term "active employees" as used in the rules relating to eligibility. Specifically, I was asked to determine whether deferred vested members were included in this class. Although the term "active employees" is not defined under the PERS statutes or rules, the plain meaning of the term would seem to exclude deferred vested members who have terminated their employment. This would mean that deferred members would not be eligible to vote or run for an active member vacancy. This term could be defined under the rules.

The third issue related to election rights of person eligible to receive deferred vested retirement benefits. It was my understanding that the committee wanted to know whether they could amend the administrative rules to include these deferred vested employees in the member class that is eligible to vote for a retiree member vacancy (N.D.A.C. § 71-01-02-02(2)), but not in the member class that is eligible to become a candidate for the position on the board as a retiree member representative (N.D.A.C. § 71-01-02-03(2)). As written, the administrative rules allow a person who is eligible to receive deferred vested retirement benefits to both vote and run for election to the retiree position on the PERS board. The issue becomes whether a person who is eligible to receive deferred vested retirement benefits has a right to be a candidate for election to the board. N.D.C.C. § 54-52-03(5) provides: "One board member must be elected by and from among those person who are receiving retirement benefits or who are eligible to receive deferred vested retirement benefits under this chapter." Through this section, the Legislature has given a person eligible to receive deferred vested retirement benefits the right to run as a candidate for the retiree position on the board. Therefore, if the board wants to accomplish the above referenced result, they would need to introduce legislation and would not be able to do so through the administrative rule process.

The fourth issue related to use of the term "public service" in N.D.A.C. § 71-01-02-06(1). I was asked to determine whether there was a better way of excluding the usage of state time. I have the following suggestion:

1. No period of time, on which an employee is entitled to receive wages or salary from the state of North Dakota or a political subdivision, may be used by the candidate to promote their election except as permitted by the employing agency. In addition, no public funds may be used for the purpose of promoting an election unless permitted by the employing agency.

Finally, I was asked to determine what the board may do in a situation where there is no candidate for a PERS board election. In order to answer this question, one must review the powers granted to the board under the N.D.C.C. § 54-52-04. This statute states that the board is given the authority to adopt rules necessary to implement the chapter. However, these rules can not be in direct conflict with any statute. N.D.C.C. § 54-52-03 provides "Three board members must be elected by and from among the active participating members." Likewise, N.D.C.C. § 54-52-03(5) states: "One board member must be elected by and from among those persons who are receiving retirement benefits . . ." Therefore, the board would not be authorized to pick a person to take the vacant position. However, I do not see why the board could not solicit persons from the eligible pool of members to run for the vacant position. Then from those candidates, the active membership could choose their representative. Although I do not think it is necessary to change the rules in order to provide for this process, the following language could be added to N.D.A.C. § 71-01-02-07 to accomplish this purpose:

5. If there is no candidate, the board shall solicit at least two persons from the eligible pool of candidates to run for election to the board. The election will then be conducted in compliance with the provisions of this chapter.

If there are any additional questions, just let me know.

Sincerely,

Aaron K. Webb
Assistant Attorney General

MINUTES

North Dakota Public Employees Retirement System Election Committee

**Tuesday, July 24, 2007
NDPERS Conference Room
400 E Broadway, Suite 505
Bismarck, ND 58502
9:00 A.M.**

Members Present: Howard Sage – Chair
Ron Leingang
Joan Ehrhardt

Others Present: Aaron Webb, Legal Counsel
Kathy Allen, NDPERS

ELECTION RULES

The committee met to review and amend the election rules under NDAC 71-01-02.

71-01-02-02. Eligible voters

Discussed defined contribution members' eligibility. Currently these members are excluded under the definition of North Dakota Public Employees Retirement System as ineligible to vote, be a candidate or sign a petition. Aaron Webb indicated that it will require legislation to address under NDCC 54-52.

71-01-02-03. Candidate eligibility

Requested legal counsel to determine definition for 'active employee', deferred vested member', and 'retiree member'. In #2 changed date from July 1 to April 15th because election occurs in June.

71-01-02-04. Election notification

Section will be amended to provide additional methods for communication of the board vacancy and election process.

71-01-02-05. Petition Format

Clarified language.

71-01-02-06. Procedure for completing and filing petitions

Under #4 will amend to allow withdrawal one week prior to printing date. In #5 deleted the requirement that the narrative must be signed to be valid. In #6 deleted last sentence. In #7 deleted the 'first class United States mail' provision.

71-01-02-07. Election ballots

Deleted "to the North Dakota public employees retirement system" in #2. Deleted "in an order determined by lot" in #3. Aaron will draft language to address procedure should there no candidates petitioning for election.

71-01-02-08. Election

In #1 clarified that deferred vested members are also eligible to receive a ballot to vote for a candidate for the retiree vacancy.

71-01-02-09. Canvassing rules

In #7 deleted the 'roll of two dice' tiebreaker requirement and insert coin toss.

71-01-02-10. Notification of election results

#2 and #3 delete requirement the notification must be 'by mailing a copy of the' and by 'first-class United States mail'.

The Committee adjourned at 10:30 a.m.

Respectfully submitted,

Kathy M. Allen
NDPERS
Benefit Programs Manager

CHAPTER 71-01-02 ELECTION RULES

Section

71-01-02-01	Election Committee
71-01-02-02	Eligible Voters
71-01-02-03	Candidate Eligibility
71-01-02-04	Election Notification
71-01-02-05	Petition Format
71-01-02-06	Procedure for Completing and Filing Petitions
71-01-02-07	Election Ballots
71-01-02-08	Election
71-01-02-09	Canvassing Rules
71-01-02-10	Notification of Election Results
71-01-02-11	Special Elections
71-01-02-12	Penalties

71-01-02-01. Election committee.

1. The retirement board must appoint a committee of three, one of whom will be designated as chair, from its membership to oversee elections to the board.
2. Committee members, or their authorized representatives, are responsible for reviewing the election rules for the retirement board membership of the North Dakota public employees retirement system, for counting ballots, and for reporting the election results to the board.
3. Committee members will be appointed at the February meeting of the North Dakota public employees retirement system board to serve until the retirement board meeting for the following February.

History: Effective April 1, 1992.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

71-01-02-02. Eligible voters.

1. All active employees of the state of North Dakota and political subdivisions which participate in the North Dakota public employees retirement system are eligible to cast one vote for each active member vacancy on the retirement board.

2. All persons receiving retirement benefits or who are eligible to receive deferred vested retirement benefits are eligible to cast one vote for a retiree member vacancy on the retirement board.

Comment [k1]: Appears that members of the defined contribution plan are not eligible to vote. Have referred to Aaron for review.

3. Persons participating in the health insurance program but not in the retirement system are ineligible to cast votes in retirement board elections.

History: Effective April 1, 1992; amended effective July 1, 1994.

General Authority: NDCC 54-52-04, 54-52-17(5)

Law Implemented: NDCC 54-52-03

71-01-02-03. Candidate eligibility.

1. Any active employee of a department of the state of North Dakota, or a political subdivision, who participates in the North Dakota public employees retirement system may become a candidate for election to the board. A department or political subdivision may not be represented by more than one elected member.

Comment [k2]: Appears members of defined contribution plan are not eligible to vote. Have referred to Aaron for review.

2. Any person, as of ~~the first day of July~~ April fifteenth of the election year, who ~~is receiving a~~ has accepted a retirement allowance benefit or who is eligible to receive deferred vested retirement benefits, may become a candidate for the retiree member to the board.

History: Effective April 1, 1992; amended effective July 1, 1994; July 1, 2000.

General Authority: NDCC 54-52-04, 54-52-17(5)

Law Implemented: NDCC 54-52-03

71-01-02-04. Election notification.

1. The director of the North Dakota public employees retirement system shall ensure that notification of an active member vacancy and the election is given to all employees through publication of a notice in the North Dakota public employees retirement system newsletter and any other method of communication as deemed appropriate by the director at least three weeks in advance of a filing date for nomination petitions. The director shall ensure that notification of the vacancy of a retiree member and the election is given to all persons who have accepted a ~~receiving~~ retirement ~~benefits~~ allowance or who are eligible to receive deferred vested retirement benefits through publication of a notice in the North Dakota public employees retirement system newsletter and any other method of communication as deemed appropriate by the director at least three weeks in advance of a filing date for nomination petitions.

2. The notice must include a statement of voter and candidate eligibility, the candidate nomination requirements, the date of election, and where to obtain the nomination petitions for filing.

History: Effective April 1, 1992; amended effective July 1, 2000.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

71-01-02-05. Petition format.

1. The nomination petition for an active member on the board must include the signatures of at least one hundred active eligible voters, as determined by the current North Dakota public employees retirement system's membership role and their mailing addresses. The nomination petition for the retiree member on the board must include the signature of at least twenty-five persons receiving a retirement allowance or who are eligible to receive a deferred vested retirement benefits, allowance, as determined by North Dakota public employees retirement system's retirement membership role and their mailing addresses.

Comment [k3]: Appears defined contribution members are eligible to sign a petition. Have referred to Aaron for review.

2. The nomination petition must include the following statement: "We, the petitioners, who are members of the North Dakota Public Employees Retirement System, nominate _____ for election to the North Dakota Public Employees Retirement System board."

3. The nomination petition must include a certification by the candidate, as follows: "I accept the nomination and if elected will fulfill the responsibilities as a member of the North Dakota Public Employees Retirement System board."

4. If there is not room for the required signatures on a single nomination petition, additional petitions may be used. Candidates may reproduce, at their own expense, blank nomination petitions that meet the format requirements without requesting additional petitions from the North Dakota public employees retirement system. All nomination petitions used must be certified and signed by the nominee when submitted to the North Dakota public employees retirement system office.

History: Effective April 1, 1992; amended effective May 1, 2004.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

71-01-02-06. Procedure for completing and filing petitions.

1. No public service or funds may be used by the candidates to promote their election except as permitted by the employing agency.

Comment [k4]: Requested that Aaron provide language to address employer time.

2. Nomination petitions must be filed with the North Dakota public employees retirement system no later than four p.m. on the first Friday of May and must be validated by the election committee or their representatives following the filing deadline and prior to ballots being distributed.

3. Nomination petitions not furnished by the North Dakota public

employees retirement system will be accepted provided they are submitted in the prescribed form.

4. A candidate may withdraw that candidate's nomination petition up until ~~the time~~ one week prior to the date the ballots are printed. The notice must be in writing and duly witnessed.

5. Nomination petitions may be accompanied by a three-inch [76.20-millimeter] by five-inch [127.00-millimeter] photograph of the candidate and a narrative not to exceed two hundred words. ~~The narrative must be signed to be valid.~~ The absence of a photo or narrative will not invalidate the candidate's eligibility, but only the candidate's name will then appear with the other candidates' information that accompanies the ballots.

6. The retirement board or its representative reserves the right to edit lengthy narratives to the two hundred word limit. ~~Board decisions are final.~~

7. The board or its representative shall inform all candidates of the validation of their candidacy, ~~by first-class United States mail.~~

History: Effective April 1, 1992; amended effective July 1, 2000.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

71-01-02-07. Election ballots.

1. Ballots must be prepared by the North Dakota public employees retirement system staff in accordance with the election rules.

2. Ballots must be printed on postcards with return postage supplied and will be mailed to all eligible voters with a narrative on candidates who have provided that information, ~~to the North Dakota public employees retirement system.~~

3. Ballots must first be arranged with the names of each candidate on the ballot, ~~in an order determined by lot.~~ In printing the ballots, the position of the names must be changed as many times as there are candidates' names on the ballot. The change must be accomplished by taking the name at the head of the ballot and placing it at the bottom and moving the name that was second before the change to the head of the names on the ballot. The same number of ballots must be printed after each change of position so as to result in an equal number of ballots with each candidate's name at the head of the ballot. The ballot must provide a space for write-in candidates.

4. If there is **only one candidate** for an election, the election will nonetheless be conducted in compliance with the provisions of this chapter.

Comment [k5]: What if there are no candidates? Aaron will provide language to add a #5 for this occurrence.

History: Effective April 1, 1992; amended effective July 1, 2000.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

71-01-02-08. Election.

1. Ballots must be mailed by first-class United States mail to the home address of all eligible active voters for an election of an active board member, or all eligible retired voters or eligible deferred vested voters for an election of a retired board member, ~~who are actively at work or retired~~ as determined by the North Dakota public employees retirement system's membership roles as of April fifteenth in the year of the election.

2. North Dakota public employees retirement system members who become eligible to vote after April fifteenth, but before the deadline for the receipt of ballots, may be issued a special election ballot by making their request for such ballot in writing to the North Dakota public employees retirement system office no later than the second Monday in June.

3. Ballots must be returned to the North Dakota public employees retirement system office no later than the close of business on the Friday immediately preceding the third Monday in June.

4. The candidate receiving the highest number of votes must be considered elected. When there is more than one active member board vacancy to be filled, the candidate with the second highest number of votes must be considered elected. If there are three active member board vacancies to be filled, the person with the third highest number of votes must be considered elected.

History: Effective April 1, 1992.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

71-01-02-09. Canvassing rules.

1. Ballot counting by election committee members or their authorized representatives will commence at nine a.m. on the third Monday of June and will continue until complete.

2. Each candidate may have one overseer present at the canvassing who

may examine each ballot as to its sufficiency after the canvassers have completed the canvassing of all ballots. No overseer may possess a pen, pencil, or other device which could be considered capable of altering a ballot in any manner.

3. A candidate may act as his or her overseer. If a candidate wishes to designate a representative to act as his or her overseer, that candidate must provide a written authorization, duly witnessed, to the election committee at the canvassing. An overseer may act on behalf of more than one candidate; however, each person must show the required authorization from each candidate represented.

4. The overseer may question the decision of the canvassers regarding a ballot after completion of the canvassing. If questioned, the comments of an overseer will be heard. The canvassers will then vote regarding the acceptability of the ballot with the majority vote ruling.

5. A ballot is not valid where the number of votes on the ballot exceeds the number of vacancies in the election. A ballot that does not, in the opinion of a majority of the canvassers, show a clear indication of the voter's intention, may not be counted.

6. If the percentage of votes received by the candidate receiving the highest number of votes is less than one percent more than the votes received by the candidate receiving the next highest number of votes, the board shall order a recount.

7. Tie votes will be determined by a ~~roll of two dice~~ coin toss, ~~by each of the tied candidates; the successful candidate must have the highest total.~~ If this procedure is necessary, the election committee will establish and notify the tied candidates of the procedure and location for resolving the tie.

History: Effective April 1, 1992.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

71-01-02-10. Notification of election results.

1. Election results must be presented to the retirement board following the canvassing of votes. Such report must include an itemization of the number of ballots returned, votes cast for each candidate, votes invalidated, and votes not counted due to late receipt.

2. All candidates will be notified of the election results ~~by mailing a copy of the election report by first-class United States mail~~ no later than the

business day following the June meeting of the retirement board.

3. Departments and agencies participating in the North Dakota public employees retirement system will be notified of the election results, ~~by mailing a copy of the election report.~~ In addition, a report of the election results will be included in the North Dakota public employees retirement system newsletter.

History: Effective April 1, 1992.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

71-01-02-11. Special elections.

1. A special election will be called for by the retirement board in the event of a vacancy resulting from the death, resignation, or termination of North Dakota public employees retirement system membership by any elected board members.

2. Special elections must be conducted in accordance with the regular elections rules, except that the board will determine a new election schedule.

3. In the case of a special election, the term to be filled is the unexpired portion of the vacant board position.

History: Effective April 1, 1992.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03

71-01-02-12. Penalties.

A violation of any provision under this chapter may result in one or more of the following penalties, as determined by the board:

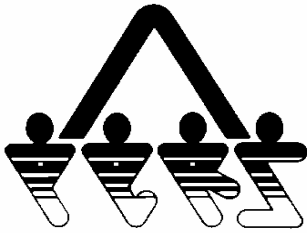
1. A candidate's petitions may be declared void.
2. A candidate's nomination may be declared void.
3. A candidate's election may be declared void.

4. Within thirty days of beginning an elected member's term in office, the elected member may be removed.

History: Effective July 1, 2000.

General Authority: NDCC 54-52-04

Law Implemented: NDCC 54-52-03



North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
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Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

Memorandum

TO: PERS Board

FROM: Sparb and Ron

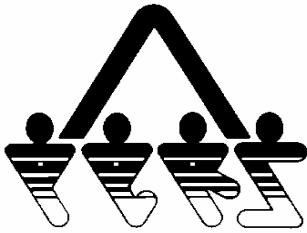
DATE: August 9, 2007

SUBJECT: MAINFRAME MIGRATION

In order to explain the reason(s) for the change in strategy of the PERS mainframe migration, we need to go back to the beginning of the migration process. At that time, ITD and their partners from Software AG took a "snapshot" of the program code and the data on the mainframe. That snapshot was to be used as a baseline for all of the testing that would be needed in order to migrate to the new platform. ITD and Software AG began to analyze what program code (if any) needed to be changed in order for the programs to "fit" the new platform. After the analysis phase, Software AG began to make the necessary changes to the code. The theory was that once the code changes were made, all that would be left to be done would be "integration testing" and "user acceptance testing" and migration to the new platform. In theory, this process would have worked well if the programs on the mainframe would have remained unchanged. In our case, several programs did not remain unchanged. In addition, we made changes to the data structure. At that point, our program code on the mainframe as well as the data structure on the mainframe did not match the program code and data structure in the "snapshot".

As you can imagine, the situation caused some concern for the migration team. Several questions were raised including: "How do we get the code on the mainframe to match the code in the "snapshot". "Do we test the "snapshot" code and then "synchronize" both sets of code and test again?" "Can we take another 'snapshot'?" ITD determined that there was not enough time left in Phase II of the project to get the two sets of program code synchronized. The migration team decided that testing one set of code and retesting after matching up the code was out of the question due to the time constraints as well. It was determined that taking another "snapshot" would be a problem since another analysis phase would have to take place before testing could resume. In addition, taking another "snapshot" would be a problem for those agencies that were already in the testing phase. A "snapshot" of *just* PERS' programs/data was also out of the question since we were not the only agency in Phase II. These conclusions lead to the decision not to migrate PERS programs and data in Phase II of the Mainframe Migration Project.

It is important for us to realize that we will still "migrate" from the mainframe. Our migration, however, will be to the new business system.



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 9, 2007

SUBJECT: PERS Board Planning Meeting/Retreat

Two years ago the Board held a one day planning meeting at the University of Mary. At this meeting we reviewed topics relating to our programs and administrative operations. I found this to be very useful and the response I got back from many Board members was similar. Therefore, I am suggesting that we do this again in late November or early December. I offer this time frame since you will by then have had the opportunity to view the annual valuations in October, and the suggestions of the benefits committee and retiree committee should be ready for your consideration as well.

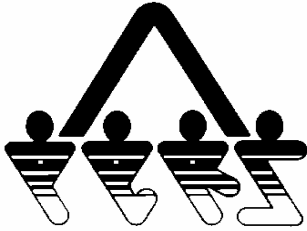
Board Action Requested

To determine if PERS should have a Board planning meeting, and if so when. Possible dates at the University of Mary, Harold Schafer Leadership Center, are:

Wednesday, November 28

Thursday, November 29

Tuesday, December 4



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Memorandum

TO: PERS Board

FROM: Sparb

DATE: August 9, 2007

SUBJECT: Legislative Employee Benefits Programs Committee

The Legislative Employee Benefits Programs Committee has scheduled a meeting for August 21st. Attached, for your information, is the meeting announcement. The agenda will be finalized next week and will be available at the Board meeting.

You will note the committee has been assigned a special study by the Chair of the Legislative Council relating to employee benefits not authorized by statute or not uniformly applied across agencies.

July 24, 2007

MEETING NOTICE

Representative Bette Grande, Chairman, has called a meeting of the **EMPLOYEE BENEFITS PROGRAMS COMMITTEE**.

Date: Tuesday, August 21, 2007

Time: 9:00 a.m.

Place: Pioneer Room, State Capitol, Bismarck

Agenda: Presentation of information regarding the statutory duties of the committee relating to retirement programs, health programs, and retiree health programs; overview of the Retirement and Investment Office, Teachers' Fund for Retirement, and Public Employees Retirement System and the retirement programs, health programs, and retiree health programs administered by these agencies; and presentation of information and discussion regarding the study of employee benefits provided by state agencies which are not specifically authorized by law or if authorized by law are not consistent among agencies

Special Note: Anyone who plans to attend the meeting and needs assistance because of a disability should contact the Legislative Council staff as soon as possible.

Committee Members: Representatives Bette Grande, Eliot Glassheim, Jim Kasper, Matthew M. Klein, Joe Kroeber; Senators Ralph L. Kilzer, Karen K. Krebsbach, Curtis Olafson, Harvey D. Tallackson

Staff Contact: Jeffrey N. Nelson, Counsel

Any member who is unable to attend this meeting is asked to please notify this office as soon as possible.

Sincerely,

John D. Olsrud
Director

JDO/AC